

*Picking Europe's Brains*

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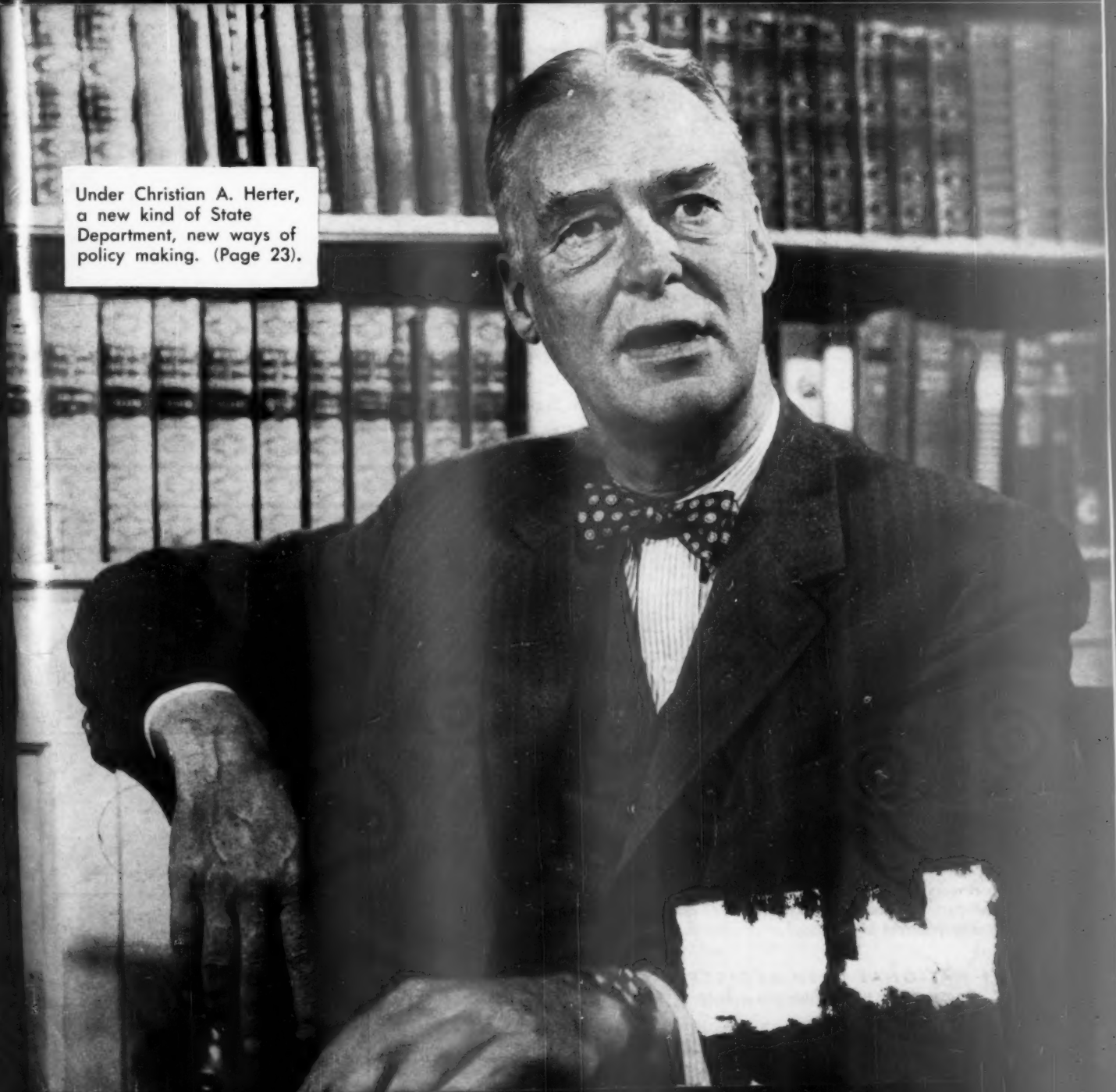
# BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

FIFTY CENTS

APRIL 25, 1959

Under Christian A. Herter,  
a new kind of State  
Department, new ways of  
policy making. (Page 23).



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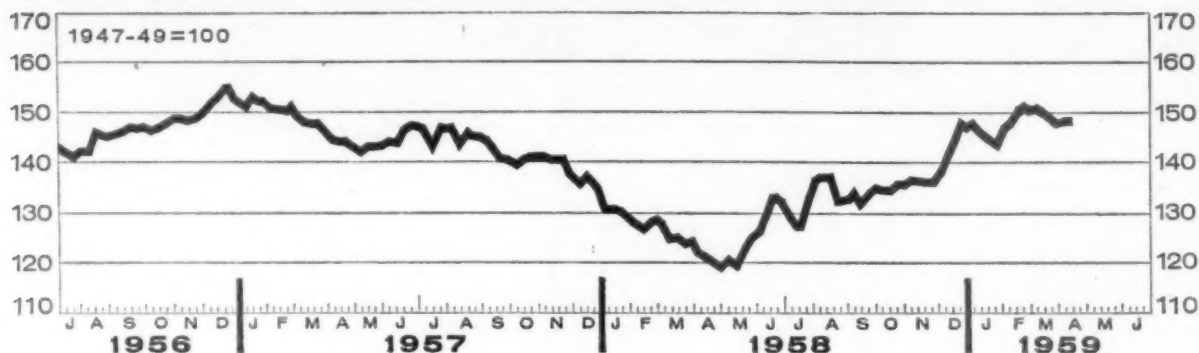
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## FIGURES of the WEEK



	1946 Average	Year Ago	Month Ago	Week Ago	\$ Latest Week
<b>BUSINESS WEEK INDEX (chart)</b> . . . . .	91.6	120.7	151.0	†149.4	*149.4

### PRODUCTION

Steel ingot (thous. of tons).....	1,281	1,270	2,631	†2,657	2,683
Automobiles and trucks.....	62,880	98,885	171,093	†169,157	171,508
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$17,083	\$65,971	\$68,514	\$63,952	\$62,237
Electric power (millions of kilowatt-hours).....	4,238	11,107	12,900	12,604	12,609
Crude oil and condensate (daily av., thous. of bbls.).....	4,751	6,251	7,203	7,127	7,133
Bituminous coal (daily av., thous. of tons).....	1,745	†1,177	1,271	†1,293	1,325
Paperboard (tons).....	167,269	263,614	307,440	312,695	323,387

### TRADE

Carloadings: mfrs., miscellaneous and L.C.I. (daily av., thous. of cars).....	82	54	61	63	64
Carloadings: all others (daily av., thous. of cars).....	53	33	38	36	39
Department store sales index (1947-49 = 100, not seasonally adjusted).....	90	110	124	117	130
Business failures (Dun & Bradstreet, number).....	22	357	292	337	304

### PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	-311.9	392.0	389.4	390.5	391.9
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	††73.2	80.6	91.6	91.0	90.9
Foodstuffs, daily index (BLS, 1947-49 = 100).....	††75.4	90.3	79.9	81.3	81.3
Print cloth (spot and nearby, yd.).....	17.5¢	17.1¢	18.6¢	18.6¢	18.7¢
Finished steel, index (BLS, 1947-49 = 100).....	††76.4	181.6	186.7	186.7	186.7
Scrap steel composite (Iron Age, ton).....	\$20.27	\$32.83	\$40.50	\$35.17	\$34.83
Copper (electrolytic, delivered price, E & MJ, lb.).....	14.045¢	24.270¢	31.965¢	31.675¢	31.615¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$1.97	\$2.29	\$2.06	\$2.13	\$2.10
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	**30.56¢	34.60¢	34.42¢	34.53¢	34.58¢
Wool tops (Boston, lb.).....	\$1.51	\$1.65	\$1.65	\$1.74	\$1.76

### FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	17.08	42.70	56.09	56.50	57.87
Medium grade corporate bond yield (Baa issues, Moody's).....	3.05%	4.66%	4.83%	4.83%	4.86%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	¾-1%	1% %	3% %	3% %	3% %

### BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††45,820	56,491	57,019	56,717	57,793
Total loans and investments, reporting member banks.....	††71,916	92,713	94,728	95,168	95,526
Commercial and agricultural loans, reporting member banks.....	††9,299	30,662	31,215	†31,009	31,275
U. S. gov't guaranteed obligations held, reporting member banks.....	††49,879	30,164	30,296	30,380	30,091
Total federal reserve credit outstanding.....	23,888	24,701	27,048	27,357	27,357

### MONTHLY FIGURES OF THE WEEK

	1946 Average	Year Ago	Month Ago	Latest Month
Cost of living (U. S. Dept. of Labor BLS, 1947-49 = 100).....March.....	83.4	123.3	123.7	123.7

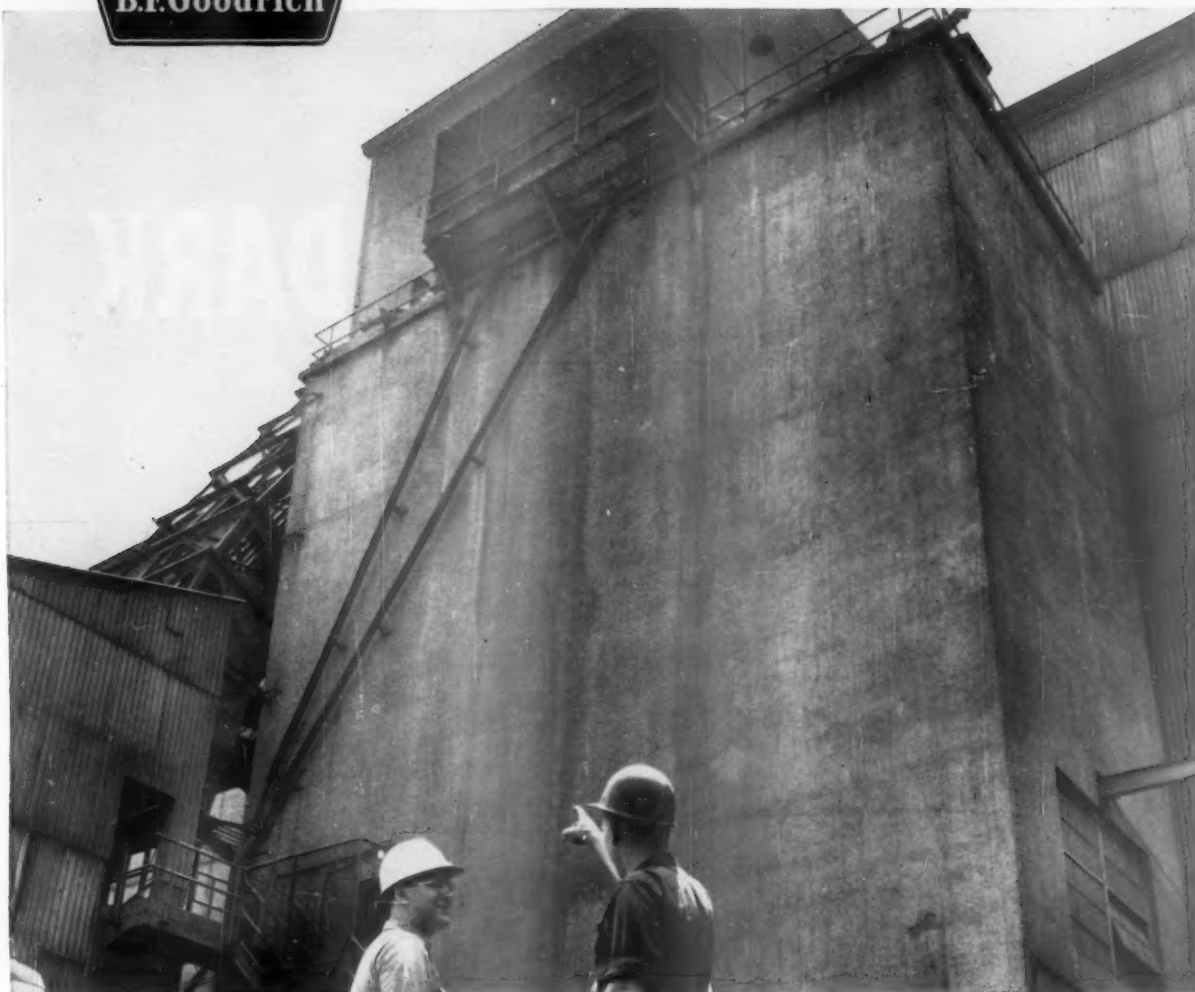
\* Preliminary, week ended April 18, 1959.  
† Revised.

†† Estimate.  
\*\* Ten designated markets, middling ½ in.

‡ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—W.W.; 23—U.P.I.; 24—Pictorial Parade; 25—(top lt.) W.W., (bot. lt.) Pictorial Parade, (rt.) Paris Match from Pictorial Parade; 26, 27, 28—Ed Nano; 29—G.M.; 30—(lt.) Noel Clark, (rt.) Herb Kratochvil; 31—(lt.) George Woodruff, (rt.) Noel Clark; 48—U.P.I.; 58, 59—Grant Compton; 76—(top) Arthur D. Little Research Institute, (bot.) Battelle Memorial Institute; 88—Union Industrial Equipment Corp.; 97, 99—Ed Nano; 103—Sikorsky Aircraft; 104, 105—Grant Compton; 112—Sovfoto; 126, 127—George Harris; 153—Herb Kratochvil; 156—Robert Iscar; 166, 167—Noel Clark; 165—(lt.) Aluminum Co. of America, (rt.) Gar Wood Industries.

**B.F. Goodrich**



## **Hose carries away ashes for eight years**

### *B. F. Goodrich improvements in rubber brought extra savings*

**T**HE tubes going down that wall aren't metal pipes but hose. A mixture of fly ash and acid water with sharp slivers of metal in it had been eating holes in pipe within six months. Each pipe replacement cost \$700 plus about 100 hours of workers' time.

Then B.F. Goodrich hose was put on the job, had been there 8 years when the picture was taken. This is a kind of hose with a lining so tough it has been

used in some places to handle broken glass and granite chips.

Smart plant engineers, working with a B.F. Goodrich distributor, had decided to try this special hose instead of pipe. By lasting 7½ years longer than pipe, they now figure that the B.F. Goodrich hose had saved \$6400 in replacement costs and \$4800 worth of maintenance time.

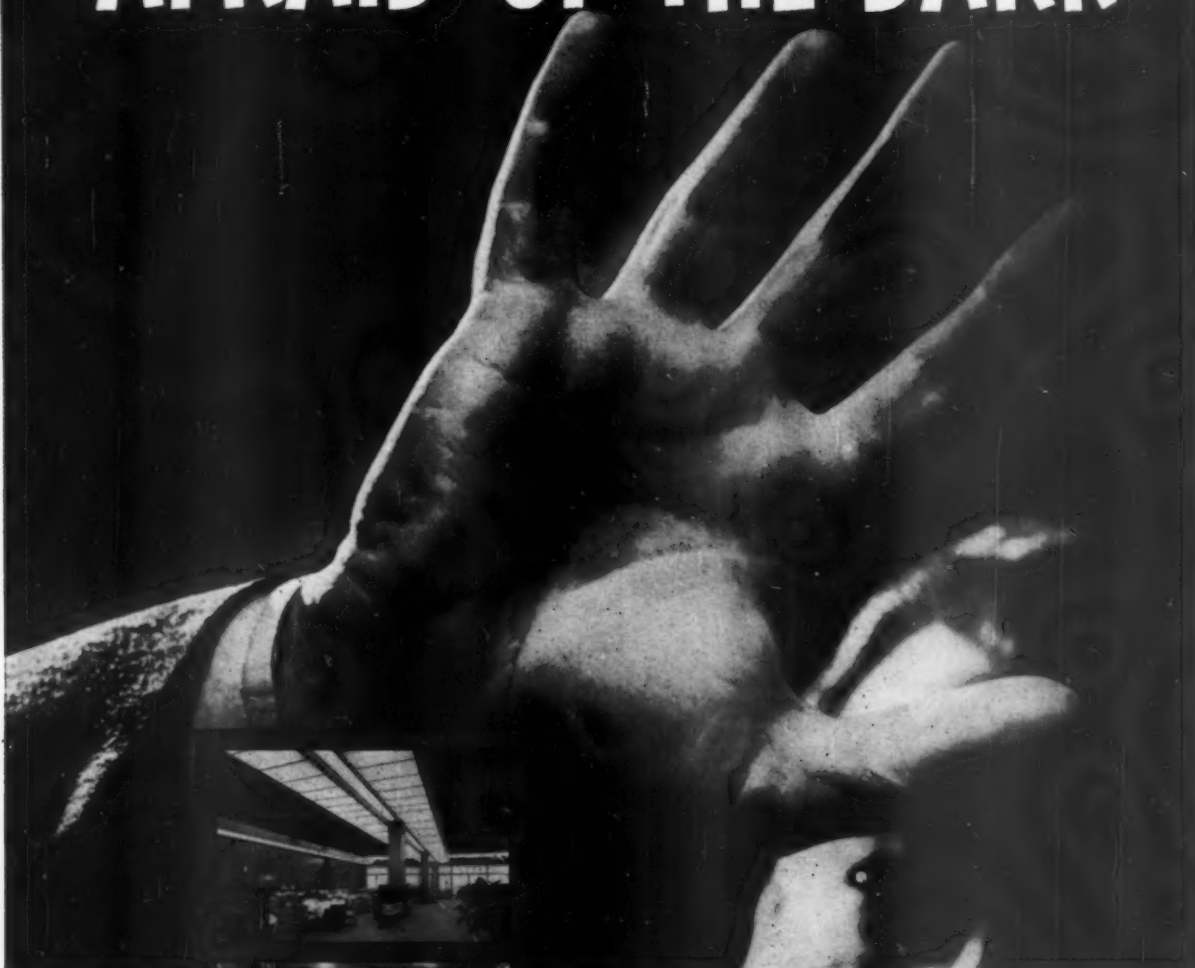
The hose is at a steel company's

power plant. It gulps thousands of gallons of water and grit every day but shows no sign of wear, looks good for many years more.

Your B.F. Goodrich distributor has exact specifications for the B.F. Goodrich hose described here. And, as a factory-trained specialist in rubber products, he can answer your questions about all the rubber products B.F. Goodrich makes for industry. *B.F. Goodrich Industrial Products Company, Dept. M-574, Akron 18, Ohio.*

# **B.F. Goodrich** *industrial rubber products*

# BUSINESS SHOULD BE AFRAID OF THE DARK



W-F glare-free luminous ceilings light halls, conference rooms, and cafeterias of new Ford Division General Office Building, Detroit, Mich.

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**BUSINESS WEEK • Apr. 25, 1959**

## READERS REPORT

### Cooperative Efforts

Dear Sir:

Re: How a Nickel Miner Turns Into a Marketer [BW—Mar.21'59, p80]. . . . There is one point which I would like to bring to your attention for the purposes of record and factual accuracy, and which has reference to the Gleam of Stainless Steel promotion with department stores. In this instance, the "buyers' guide" was prepared by the Electro Metallurgical Company, Div. of Union Carbide Corp., who very kindly made it available to us as part of the over-all cooperative effort by all concerned in the promotion of stainless steel.

The market study which we prepared was in connection with the Alloy Steel Service Center Campaign, and there was, of course, another buyers' guide prepared by the American Iron & Steel Institute for even another purpose. . . .

FREDERICK F. WOOD

ASSISTANT VICE-PRESIDENT

THE INTERNATIONAL NICKEL CO., INC.

NEW YORK, N. Y.

### Wrong Interpretation

Dear Sir:

. . . I was disturbed to read a story about Macy's new labor contract [BW—Apr.11'59,p126] which unfortunately contained some inaccurate statements which, in turn, are susceptible of highly inaccurate interpretation.

The article is headed, Effect of Innovations Watched as Macy's Signs New Contract. The last paragraph . . . reads as follows:

"Retailers will watch Macy's to see how several new clauses in the contract work out in practice. One allows the union to challenge extra duties assigned to employees and to take the dispute to arbitration. Another provides that if budget cuts are instituted on low-rated jobs, workers are guaranteed against loss of pay for 60 days."

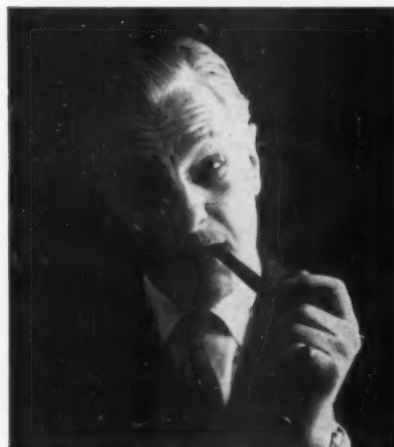
The second sentence in the foregoing paragraph unfortunately is not at all correct. Under the contract concerned, the union does not have the right either to challenge or to arbitrate the assignment of changed, new, or extra duties. Rather, the union has the right to discuss and ultimately to arbitrate, if no agreement has been reached until that point, the rate of pay for a job classification where the employer has revised an existing job classification, "by adding new duties



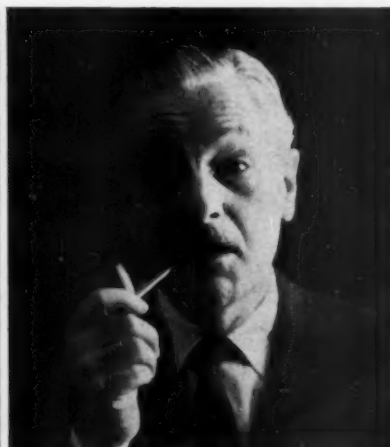
"With the new Renault Fleet Plan, you save up to \$400 per car per year! We've got the figures to prove it."



"Day-to-day economies, too. Easy upkeep. And up to 40 mpg on regular gas! What do your present fleet cars get?"



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which require a different level of skill from that required for the existing duties of such job classification, and the performance of which new duties requires a substantial number of the total hours worked in such job classification."

As I am sure you will agree, the correct statement of this item puts an entirely different light on the situation and sets forth a set of facts which would have very different meanings to BUSINESS WEEK's wide . . . audience amongst management and union leaders. . . .

JOHN A. BLUM

SENIOR VICE-PRESIDENT  
MACY'S  
NEW YORK, N. Y.

## New Approach Needed

Dear Sir:

U.S. Goes to Moscow Suburb [BW—Apr.11'59,p27] with the U.S. exhibits to be displayed in Moscow's Sokolniki Park, and their exhibits in New York's Coliseum, describes the plans well, but ignores the potent impact either, or both, of these displays can have, the part it plays in the "war" going on between East and West.

Already the Reds are saying that our "typical products" . . . homes, cars, art, etc., are about as commonplace in everyday American life as the Sputniks, Mutniks, and scientific are in the everyday life of the ordinary Russian.

To regain "reciprocity" we need something like the American idea of an "equal time" exhibit showing the realities of Russian life, the three or four families to a kitchen, the slave labor camps, the mass graves, and the fact that all this progress in Russia along material and technological grounds is directed toward economic, propaganda, and military strategy of a Kremlin moving toward world conquest.

J. KESNER KAHN  
CHICAGO, ILL.

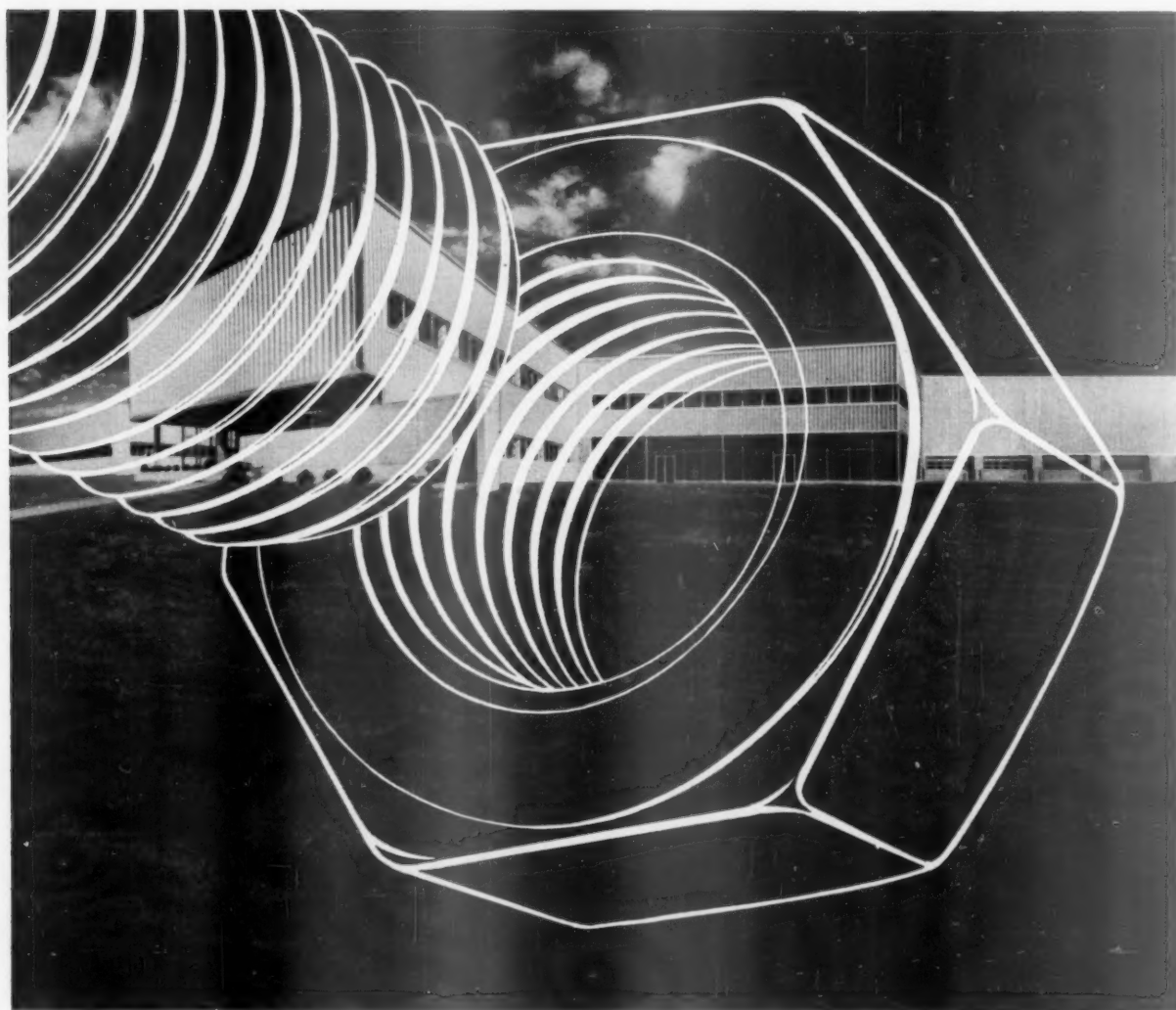
## Bigger Retailer

Dear Sir:

We expect Food Fair earnings—both before and after taxes—to be higher than last year, but the exact amount cannot be determined at this time.

LOUIS STEIN  
PRESIDENT  
FOOD FAIR STORES, INC.

• In its list of 20 top retailers [BW—Apr.11'59,p45] BW estimated Food Fair's 1958 earnings at 2.9% below 1957.



## A new name for a dependable old friend

On April 15, Pittsburgh Screw and Bolt shareholders voted to change their company's name to Screw and Bolt Corporation of America.

This new name clearly reflects our continuous expansion and diversification to service the ever increasing and rapidly changing needs of our customers. Today, with four major divisions and plants from Texas to Connecticut, our national scope of business has earned for us the reputation as producers of "America's most complete line of industrial fasteners."

In keeping with this progress, our new, fully integrated Pittsburgh plant, covering—under a single roof—an area equivalent in size to ten football fields . . . offers the utmost in operating efficiency. It is representative of the modern facilities and up-to-date production techniques that keep our quality tops and our service prompt.

We are happy to announce this name change to our many friends and look forward to serve you under our new banner . . . Screw and Bolt Corporation of America.

VMA 6710

## SCREW AND BOLT CORPORATION OF AMERICA

Formerly Pittsburgh Screw and Bolt Corporation

P. O. Box 1708

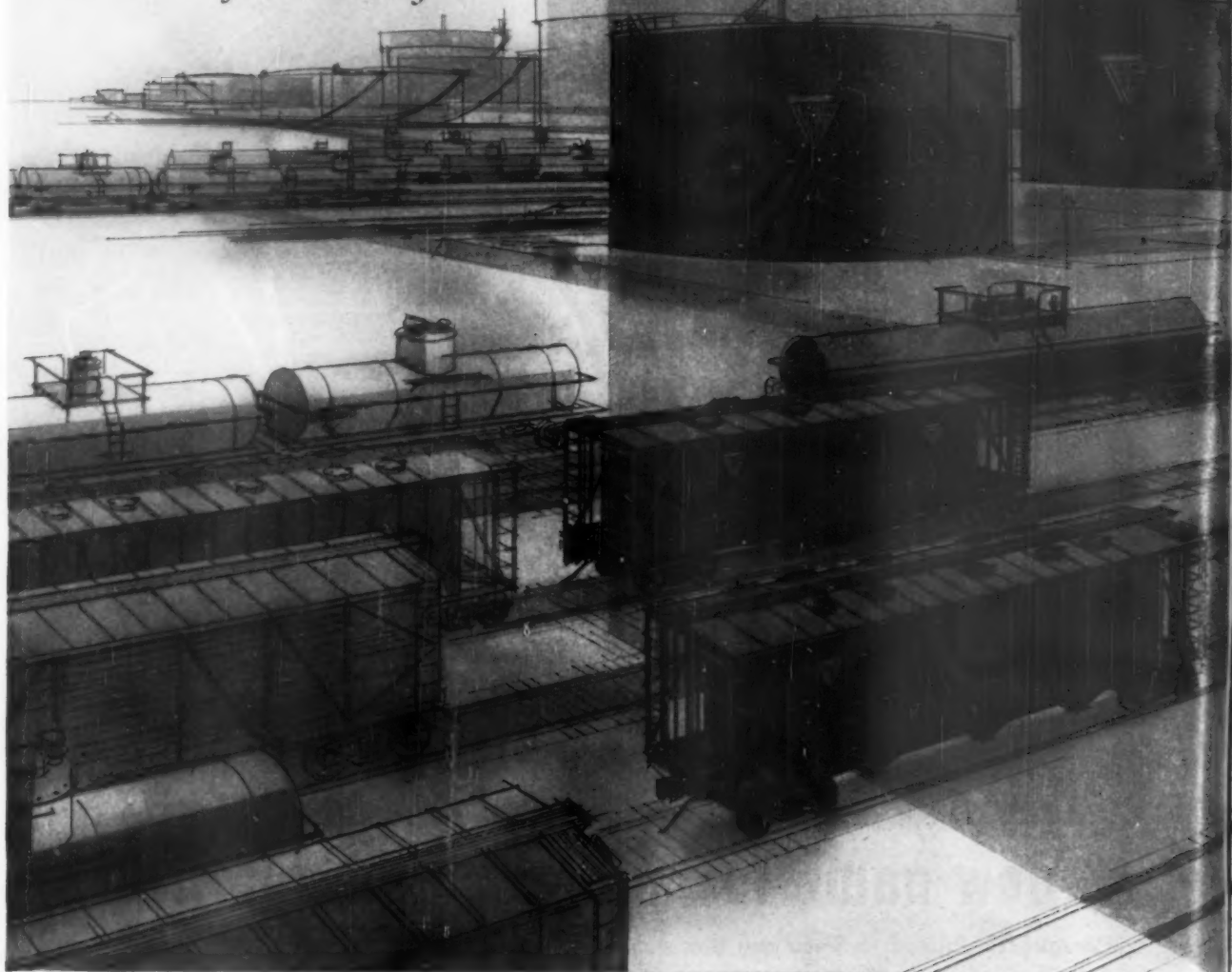
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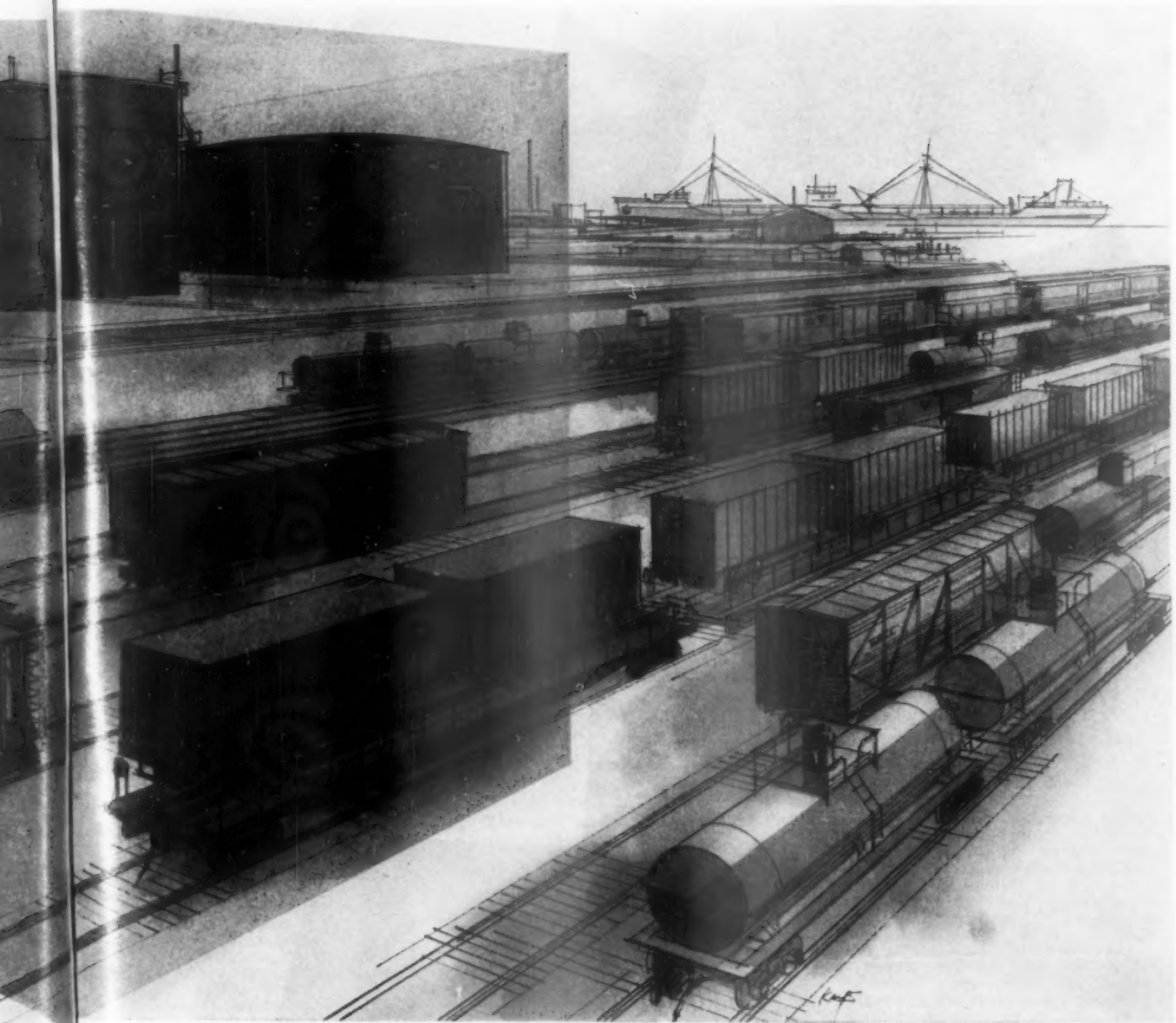


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**MORE TANK STORAGE TERMINALS**—For bulk storage, processing and packaging of liquids. Six terminals in five major markets; Port of New York; Chicago; Port of New Orleans; Corpus Christi; Port of Houston. Special canning and drumming facilities also available in New York, Chicago and New Orleans markets.



**MORE REPAIR SHOPS**—Shops from coast to coast, located to keep your leased cars in top operating condition at all times—and at no cost to you.

**MORE RECORD-KEEPING HELP**—To keep all necessary money-saving mileage and tax records, and maintain a constant check on the whereabouts of all cars.

**MORE RESEARCH AND DEVELOPMENT FACILITIES**—To provide new cars for new products, the *right* cars for all products . . . special tankage for problem liquids.

**MORE FLEXIBILITY OF OPERATION**—Allowing you to plan for seasonal peaks and valleys, avoiding car shortages or car surpluses . . . providing liquid storage as you need it.

**MORE PROTECTION IN EVERY WAY**—Including protection from obsolescence and changes in ICC and AAR regulations.

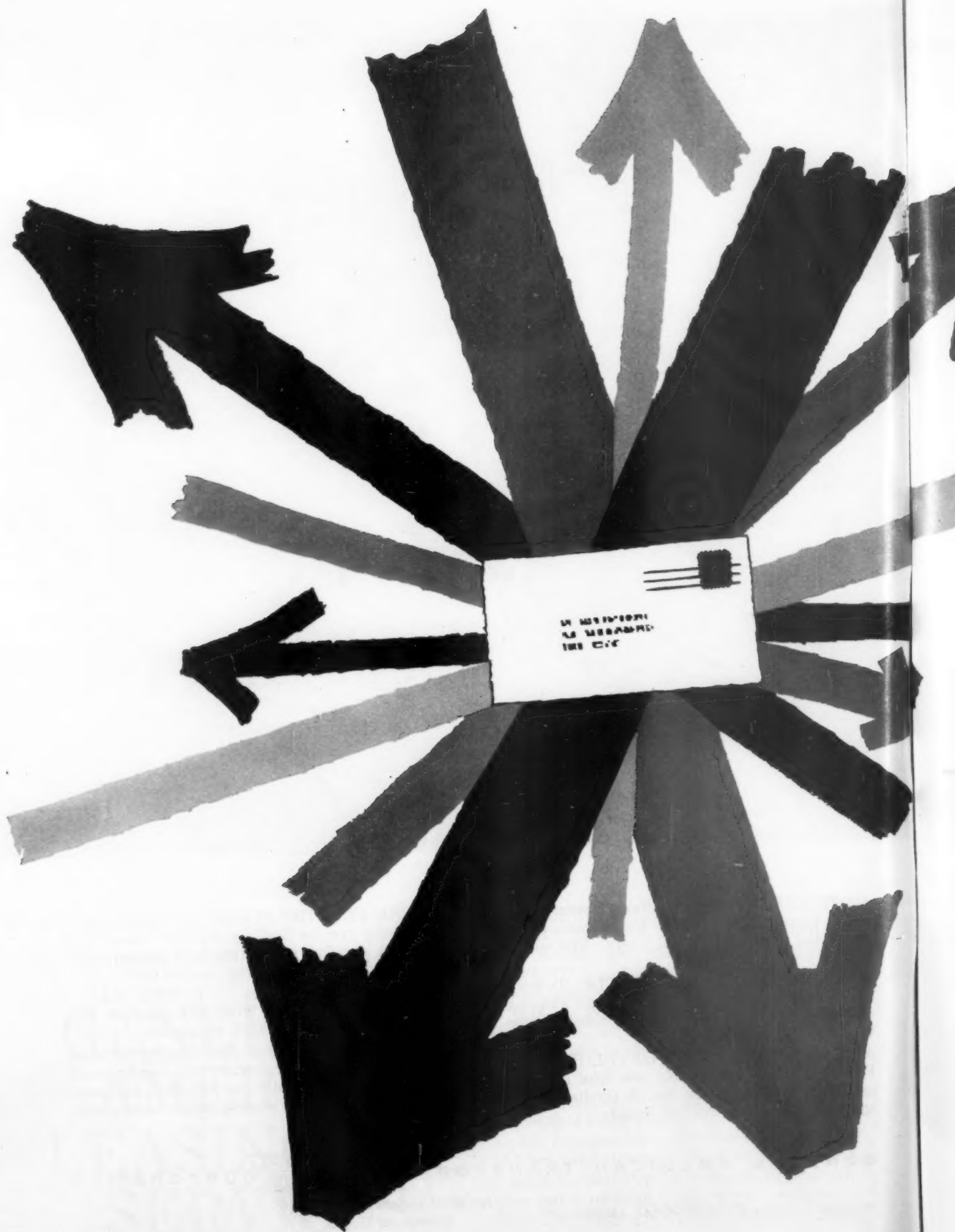
There is more to leasing than signing the lease . . . and only General American combines all leasing functions into one efficient, exclusive "package". *No other leasing service is so practical or so complete.*

**GENERAL AMERICAN TRANSPORTATION CORPORATION**

IT PAYS TO PLAN WITH GENERAL AMERICAN

135 South LaSalle Street,  
Chicago 90, Illinois





# COMING— THE FIRST AUTOMATIC U.S. POST OFFICE

The Post Office is out to win a race with time.

They're going to keep first class mail as fresh as your morning paper, even when it must cross the country.

Next-day delivery is the way they'll do it. Nationwide automated mail-handling is the method.

The strikingly modern post office just announced for Providence, Rhode Island, will be a major step. Intelix Systems Incorporated, an ITT subsidiary, has been appointed to do the job.

#### Push-Button Operation

This will be a fully-integrated automatic post office, the nation's first.

Intelix will design, construct, equip and maintain this \$20,000,000 mechanized post office whose "open-for-business" notices will be posted late next year.

A lot of people are excited about it, and for good reason.

The whole future of mail service will change. Many manual methods will be abandoned. The vastly accelerated rate of mail movement will keep pace with our surging economy.

#### Everyone Benefits

Machines will sort, postmark and distribute the growing mountains of mail:

They will perform many of the tedious, time-consuming tasks.

These machines will not hurt the jobs of career employees. Instead, they will enable them to apply their skills to more productive post office functions where machines cannot replace human judgment. The effect on business, industry and you will be widespread and welcome.

In minutes, Providence mail will be ready to move to Detroit or Dallas or San Diego.

In time, other automatic post offices will speed this mail at the end of the line, while jet carriers will link them with near-the-speed-of-sound delivery.

#### The Right Background

You don't just sit down and conceive an operation of this magnitude overnight. It requires years of experience, special skills, months of planning and hundreds of machines with millions of intricate moving parts.

This is one reason why an ITT subsidiary won the assignment.

#### Experience Where It Counts

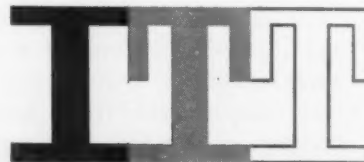
ITT has been in the creative forefront of automatic processing equipment for many years.

The ITT System has developed elec-

tronic computing equipment invaluable to banks, insurance companies and giant mail-order houses, where paper work runs into the million multiples. It has created many types of document and material conveying systems vital to the flawless functioning of hospitals, brokerage houses, factories, government agencies.

Intelix Systems Incorporated will have full responsibility for the job. Other ITT divisions—other companies—will contribute.

And when it's finished, Uncle Sam's first automatic post office will join the hundreds of projects all over the world through which ITT's work has created new, effective ways for others to get big jobs done.



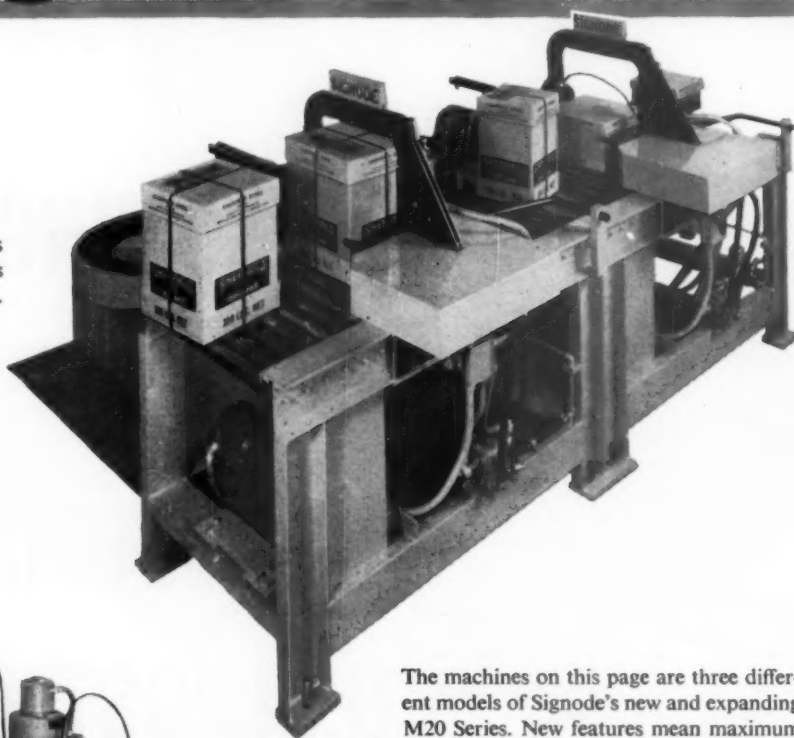
...the largest American-owned worldwide electronic and telecommunication enterprise, with 101 research and manufacturing units, 14 operating companies and 130,000 employees.

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION 67 Broad Street, New York 4, N. Y.

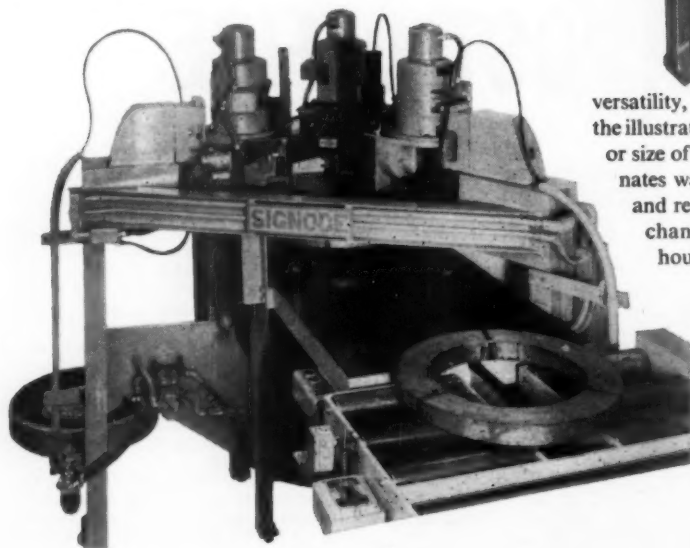
ITT COMPONENTS DIVISION • ITT FEDERAL DIVISION • ITT INDUSTRIAL PRODUCTS DIVISION • ITT LABORATORIES • INTELEX SYSTEMS INCORPORATED  
AIRMATIC SYSTEMS CORPORATION • KELLOGG SWITCHBOARD AND SUPPLY COMPANY • ROYAL ELECTRIC CORPORATION • AMERICAN CABLE & RADIO  
CORPORATION • FEDERAL ELECTRIC CORPORATION • ITT COMMUNICATION SYSTEMS, INC. • INTERNATIONAL ELECTRIC CORPORATION • INTERNATIONAL  
STANDARD ELECTRIC CORPORATION • LABORATORIES AND MANUFACTURING PLANTS IN 20 FREE-WORLD COUNTRIES

# Signode machines

Operatorless  
cross-strapping of nail cartons  
in mixed sizes.



Operatorless strapping of strip  
steel coils, 3 straps simultaneously,  
up to 1,000 coils per hour.



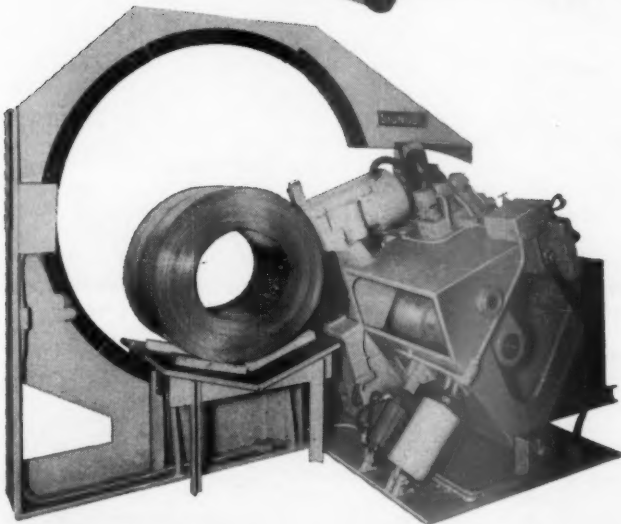
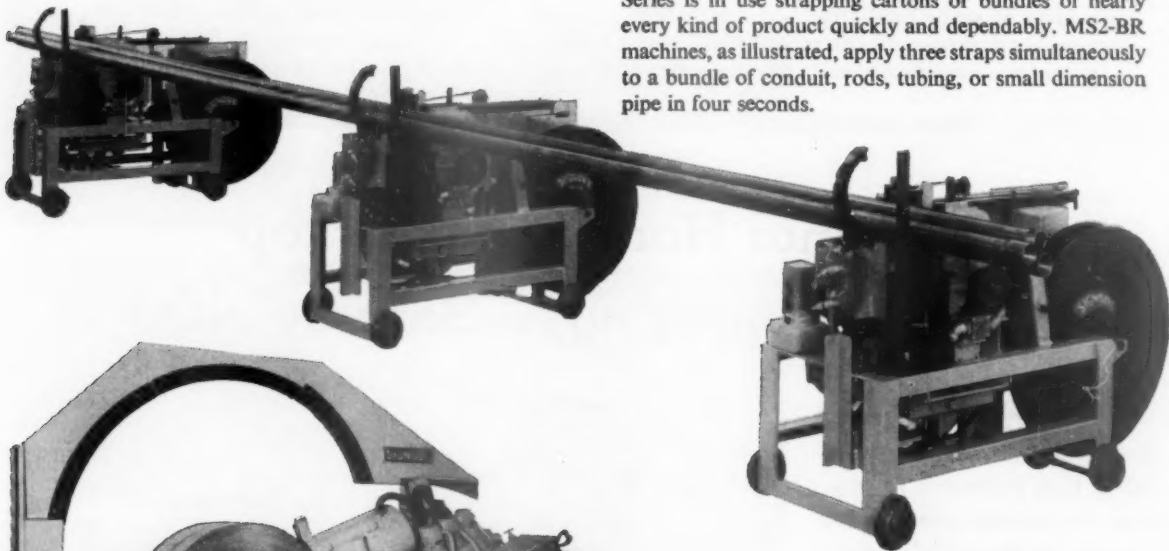
The machines on this page are three different models of Signode's new and expanding M20 Series. New features mean maximum versatility, long trouble-free life, and minimum maintenance. As the illustrations show, automatic strapping of practically any shape or size of bundle or container is possible. Overlap control eliminates waste of strap. Tension is easily and accurately pre-set, and requires no further adjustment unless type of package is changed. Vital working parts are protected by a sealed housing and run in a bath of oil. With an M20, strapping can be applied vertically or horizontally...any type of Signode PSM grade strapping can be used, in sizes from  $\frac{1}{8}$ " to  $\frac{3}{4}$ ". Seals can be lithographed with your trademark in color. Operation can be completely automatic (operatorless), or semi-automatic (push-button controlled).

Operatorless strapping  
of plastic sheet packs.  
Number of straps  
per pack is optional.



# reduce packaging costs

Push-button strapping of pipe. This "work horse" M2 Series is in use strapping cartons or bundles of nearly every kind of product quickly and dependably. MS2-BR machines, as illustrated, apply three straps simultaneously to a bundle of conduit, rods, tubing, or small dimension pipe in four seconds.



Operatorless circumferential strapping of aluminum coils. Strapping is automatically centered on coils from 30" to 72" O.D. Capacity is 300 to 400 coils per hour. Other MH Series machines put 300 to 360 straps per hour on hot or cold strip steel coils or rod or wire coils...have been proved dependable in as much as ten years of the hardest kind of steel mill service.

## Every day hundreds of plants prove their economy and dependability

Signode machines strap faster and at less cost—and do it dependably, with uniform tension on every strap. Tensionable steel strapping is low in cost to begin with...and high in strength to ship with. Signode has unparalleled experience in building and applying over 30 different types of these machines. Improved flow, less waste, better handling, safer transit, and lower costs nearly always result. Signode Service includes operator training and fast mechanical service on a local basis, nationwide. All of these machines are available on either an annual rental or single payment basis. It will pay you to talk to the Signode man near you, or write:



*First in steel strapping*

### **SIGNODE STEEL STRAPPING CO.**

2607 N. Western Avenue, Chicago 47, Illinois

Offices Coast to Coast. Foreign Subsidiaries and Distributors World-Wide  
In Canada: Canadian Steel Strapping Co., Ltd., Montreal • Toronto



## MODERN CHEMISTRY CREATES A BETTER BUILDING

Executives concerned with building funds should take a sharp look at a new breed of building materials. These are the products of polychemistry . . . chemically engineered materials developed to supplement the traditional ones of stone, clay,

wood, metal and glass. The Dow building materials discussed on these two pages have many applications, but all have one thing in common: They are designed to give the building owner a lifetime of service with a minimum of maintenance.

# National Homes assigns top job to new flashing . . . Saraloy® 400

**New weatherproof elastic flashing that conforms to any contour solves roof construction problems in National's new Viking line.**

A couple of minor developmental problems almost turned into a major headache for National Homes Corporation, nation's largest manufacturer of homes. Their new Viking line of homes features aluminum roofing and siding with a baked-enamel finish. The use

of conventional metal flashings posed these two stumblers . . .

1. Chimney flues and ventilators emerge from the roof in several different locations because of varying local situations. Thus, it was impossible to package one pre-shaped metal flashing that would fit all requirements.

2. The application of metal flashing directly upon aluminum roofing sets up an electrolysis that damages both.

National solved both problems neatly and effectively by specifying Saraloy 400, Dow's new thermoplastic flashing. This highly elastic material can be formed to fit any contour, right on the job. It makes a snug, waterproof seal on metal, masonry and other materials

used in roofs. It can be cemented, or will form a seal around nails driven through it. And it can be painted to conform to any color scheme.

This pliable material readily expands and contracts with the materials to which it is adhered. For this reason, it lasts for years in places where other flashings would fail within a few seasons. It's waterproof and weatherproof, won't corrode, crack or peel.

Saraloy 400 does a top-level job on the tops of all types of buildings—commercial and industrial, as well as residential. Ask your architect or general contractor about this flexible flashing, or write to the address at the bottom of the next page.





### LONGER ROOFING LIFE— WITH ROOFMATE\*

Here's a new Dow building product that holds special interest for business and industrial executives because of its remarkable long range economy. Roofmate, an insulation developed for built-up roofs, forms its own moisture barrier, effectively reducing vapor build-up in the roof. Thus, "blistering", leaks, and costly roof damage are minimized. Roofmate is lightweight and strong, too. Keeps dead weight in roofs to a minimum, saves materials and labor costs.

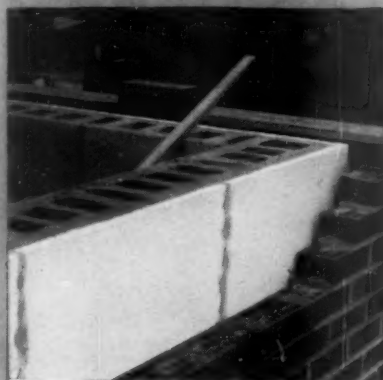
\*TRADEMARK



### SCORBORD®—BEST LONG TERM INSULATION INVESTMENT

Insulating a foundation or a perimeter heating system is a job that's done only once in the lifetime of a building, so it should be done well. That's why Dow created Scorbord®, a new insulation that's easy and economical to install. Scorbord has an unyielding resistance to moisture that keeps water and water vapor out, heat in. It resists break up, rot and deterioration . . . buildings stay warm, dry and snug for a lifetime.

†PATENT APPLIED FOR



#### STYROFOAM®

This outstanding insulation offers permanent insulating efficiency . . . it's ideal for insulating exterior cavity walls.



#### POLYFILM®

A new, high quality polyethylene film with many agricultural, industrial and construction uses.

### THIS IS JUST A BRIEF REPORT

on Dow's building products. For information about any of the products discussed in this ad, write today to

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Midland, Michigan  
Plastics Sales Dept. 1500AF4-25

Chemically engineered  
building products • industrial molding materials  
coatings and paint materials • packaging materials

**THE DOW CHEMICAL COMPANY**  
Midland, Michigan



*AUTOMATIC ELECTRIC, originator of the dial telephone, and leading producer of telephone equipment and components used in automation, is a part of General Telephone, one of America's great communications systems*

## Square D--wherever



## THIS NEW 1,520,000-SQ. FT. PLANT\* REPLACES 17 MULTI-STORY BUILDINGS!

Automatic Electric Company's new plant at Northlake, Illinois, is an outstanding example of more capacity per square foot through straight-line production design. Specifically, production capacity has been increased approximately 100%—and with only 25% more floor space!

Square D electrical distribution and control equipment plays an important part in many key operations of this beautiful, highly efficient new plant.

*\*Designed and built by The Austin Company*

**FIELD ENGINEERING SERVICE** is available through more than one hundred Square D offices, backed by an international network of over 1000 authorized electrical distributors and 19 plants in the United States, Canada, Mexico and Great Britain.

Executive Offices • 6060 Rivard Street, Detroit 11, Michigan



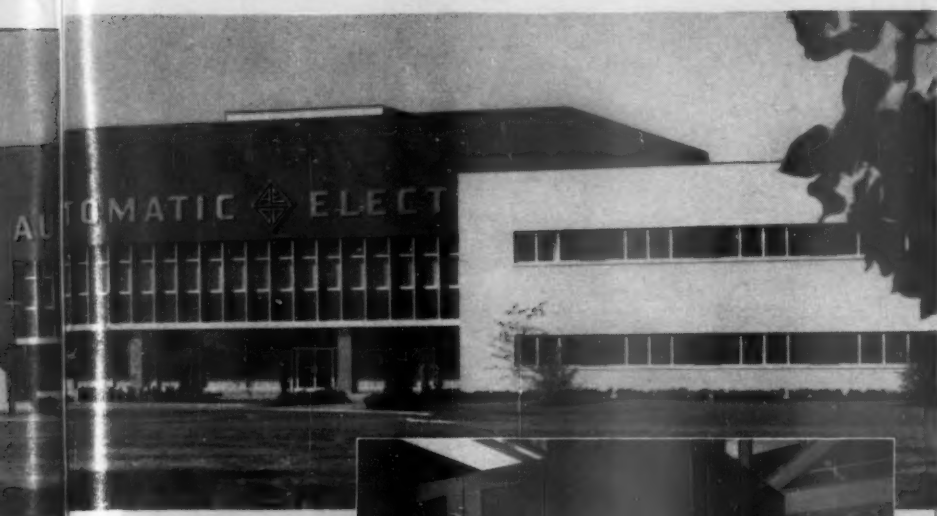
Scientific lighting prevails throughout the factory and office areas. Square D lighting panelboards are used exclusively. Shown above are two of hundreds installed in every part of the plant.



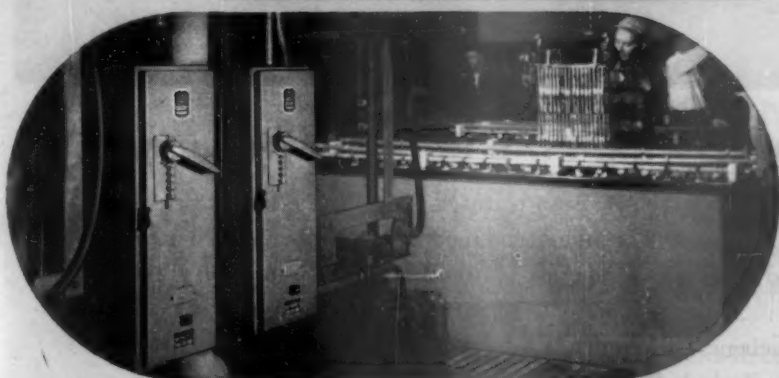
**EC&M HEAVY INDUSTRY ELECTRICAL EQUIPMENT...NOW A PART OF THE SQUARE D LINE**

# SQUARE D COMPANY

## *electricity is distributed and controlled*



Good example of space saving—this Square D substation is a mezzanine installation, thus releasing many square feet of valuable "main floor" space.



Here are Square D combination starters on duty in the plating department: There are hundreds of them serving dozens of departments.

### *A Complete* LINE OF ELECTRICAL DISTRIBUTION AND CONTROL EQUIPMENT

ADJUSTABLE SPEED DRIVES  
BUSWAYS & WIREWAYS  
CIRCUIT BREAKERS  
CONTROL CENTERS  
CRANE & HOIST CONTROL  
DISTRIBUTION SWITCHBOARDS  
ELECTRIC TRUCK CONTROL  
HIGH VOLTAGE CONTROL  
LAUNDRY CONTROL  
LIFTING MAGNETS  
LIGHTING AND POWER PANELBOARDS  
LIGHTING CONTROL—LOW VOLTAGE  
LIMIT AND FOOT SWITCHES  
MACHINE TOOL CONTROL  
MAGNETIC BRAKES  
METER MOUNTINGS  
MOTOR STARTERS  
PRESS CONTROL  
PRESSURE, FLOAT, & VACUUM SWITCHES  
PUSHBUTTONS  
RELAYS AND CONTACTORS  
RESISTORS  
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STAGE DIMMERBOARDS  
STEEL MILL CONTROL  
SWITCHGEAR & UNIT SUBSTATIONS  
SYNCHRONOUS MOTOR CONTROL  
TERMINAL BLOCKS  
TEXTILE MACHINE CONTROL  
TIMERS  
VOLTAGE TESTERS  
WELDER CONTROL





When can I cut  
packaging costs?

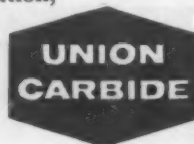
*Now*... **BY MACHINE-WRAPPING IN POLYETHYLENE**

What a combination! Polyethylene film—glossy, clear, fresh-textured . . . with the lowest price tag of any transparent film—PLUS the economy of high-speed machine wrapping. And what a package—with the shelf life, eye-appeal, and toughness of film made from BAKELITE Brand Polyethylene!

**DON'T ASK JUST ANYBODY . . .** Ask the leading automatic wrapping machine manufacturers about their new equipment for handling polyethylene film.

Or write for Union Carbide Plastics' special automatic packaging booklet that gives you the facts and figures. Address Dept. DB-05M,

Union Carbide Plastics Company, Division of Union Carbide Corporation,  
30 East 42nd Street, New York 17, N. Y. *In Canada:* Carbide Chemicals Company,  
Division of Union Carbide Canada Limited, Toronto 7.



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# BUSINESS OUTLOOK

BUSINESS WEEK

APR. 25, 1959



Rising charges for borrowed money once again are casting their shadow over longer-range prospects for business.

The pinch, as usual, will be slow in making itself felt.

Yet the interest on **commercial paper** rose this week. You have seen the yield on many **Treasury securities** mounting above 4%. Recent **corporate bond issues** have been greeted less than avidly. And the coupon rates required on new state and local bond issues are going higher.

Rumors of new tightening by the Federal Reserve Board have frequently run through the financial community lately (page 125). These strengthen the impression that banks are likely to boost the "prime rate" asked of their best customers for short-term money.

This would boost the cost of carrying the inventories now abuilding.

Companies that now are planning to expand their outlays on plant and equipment will, of course, be aided by rising profits.

But funds "generated internally" won't foot the bill in all cases; new capital will be needed and the bond market isn't attractive.

Fortunately, unprecedented prices for common stocks will permit many to go directly to the public with new shares. Others may prefer convertible debentures with their fixed-interest charge and stock market sweetener.

Construction seems to be feeling no ill effects from tightening money so far, but it is bound to be vulnerable over the longer pull.

Right now, work in progress shows all the vigor anyone could ask. And this is without any help from industrial construction whose upturn still is in the contract-placing stage.

Building of all types, so far this year, has been steadily widening its gain over a year ago. This is no great trick, of course, considering the slump in private construction last year.

Nevertheless, the estimated value of work put in place during the first quarter was \$10.9-billion, far and away a record for the period.

Moreover, that's at a seasonally adjusted annual rate of \$54½-billion, contrasting with 1958's full-year record of \$49-billion.

Work actually done on industrial structures in the first quarter was still dragging along at the lowest level in more than four years. But the tide was visibly turning—and vigorously:

McGraw-Hill's Engineering News-Record reports first-quarter contract awards for industrial construction totaling \$707-million, a 32% gain; for March alone, the gain over last year was more than 140%.

Private construction (which lagged year-earlier levels through much of last year) has pulled sturdily ahead with a March gain of 12% and a first quarter that was 10% better. But public construction still is outperforming private in terms of percentage gain, up 16% for the quarter.

# BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

APR. 25, 1959

**Housing** undoubtedly will be the center of attention if and when money rates seem to be restraining builders. But it seems quite clear that mortgage money has been no problem up to this point.

A good index here is the discounts from par quoted in the secondary market for Federal Housing Administration mortgages. These have been shrinking slowly, and on Apr. 1 were the smallest in four months.

**Availability of funds** seems amply demonstrated, both in conventional mortgages and under FHA guaranty, by the continuing high rate of new housing starts. These have been running above an annual rate of 1.3-million for the last six months; March was up almost to 1.4-million, or just short of the November-December totals (which had been the best in four years).

**The value of work put in place on new dwellings** during the first quarter is officially estimated at \$3.4-billion, about 35% higher than last year and easily a new record for the period.

Moreover, it's worth noting that **additions and alterations** are pointing toward a new high. Judging by the first-quarter performance, this year's total may well come to \$4.2-billion, \$300-million better than record 1957.

—•—

**Byproducts of booming construction** always may be noted in many types of activity a long way from building sites.

**Clay, glass, and lumber products** provide an example. The Federal Reserve Board's index for this segment of manufacturing in March was 18% ahead of a year ago and back pretty close to the 1956 high.

**Production of cement** missed a new high last year by a narrow margin (311-million bbl. in 1958 against 316-million in 1956), and shipments by an even narrower one (310-million against 312-million).

Now shipments certainly—and production probably—will make up for those shortfalls. **Deliveries each month since last August have been the best ever for the month in question**—generally by substantial margins.

Roadbuilding is, of course, the major factor. But now the revival in industrial construction will be swelling the demand.

—•—

**Aluminum**, enjoying an increasing market in construction, probably can thank building in some part for a record first quarter.

In any event, the quarter's output came to 456,000 tons, 14,000 tons better than the previous high in 1956's fourth quarter.

—•—

**Record construction, in dollar terms, has not as yet produced any corresponding records in employment** (probably due both to higher costs and to an increase in efficiency).

**Employment in contract construction** last month, at 2.4-million, was about 100,000 better than a year earlier and very close to the same month in 1955. However, it was somewhat below both 1956 and 1957 levels.



## ROEBLING WIRE, in Convenient Bulk, packaged to save you money, time and labor

If you use high-carbon wire in sizes from .060" diam. to .030" diam., it will pay you to investigate Roebling's Reel-less Core Packaging System. This method offers you substantial savings in several ways—to say nothing of the quality wire that Roebling always delivers in any kind of package.

### *Here's how simple it is:*

Cores are palletized two cores per pallet and can be stacked two or three pallets high (think of the saving in storage space).

Empty reels are not accumulated because there are no reels to store, send back, bookkeep, get credit on, or pay shipping charges on (either way). Just unwrap the wire, set it up the way you see here, and there you are. Where a limited num-

ber of reel-less core packages are used, or where wire is flipped from reels mounted in a horizontal position, the tilt table is not necessary.

This method is typical, indeed, of Roebling's efforts to make quality easier to handle and to banish the problems that cost you time, money and sharp pains across the brow.

Full details of wire without reels will be immediately forthcoming when you write Wire and Cold Rolled Steel Products Division, John A. Roebling's Sons Corporation, Trenton 2, New Jersey.

**ROEBLING**

Branch Offices in Principal Cities  
Subsidiary of The Colorado Fuel and Iron Corporation



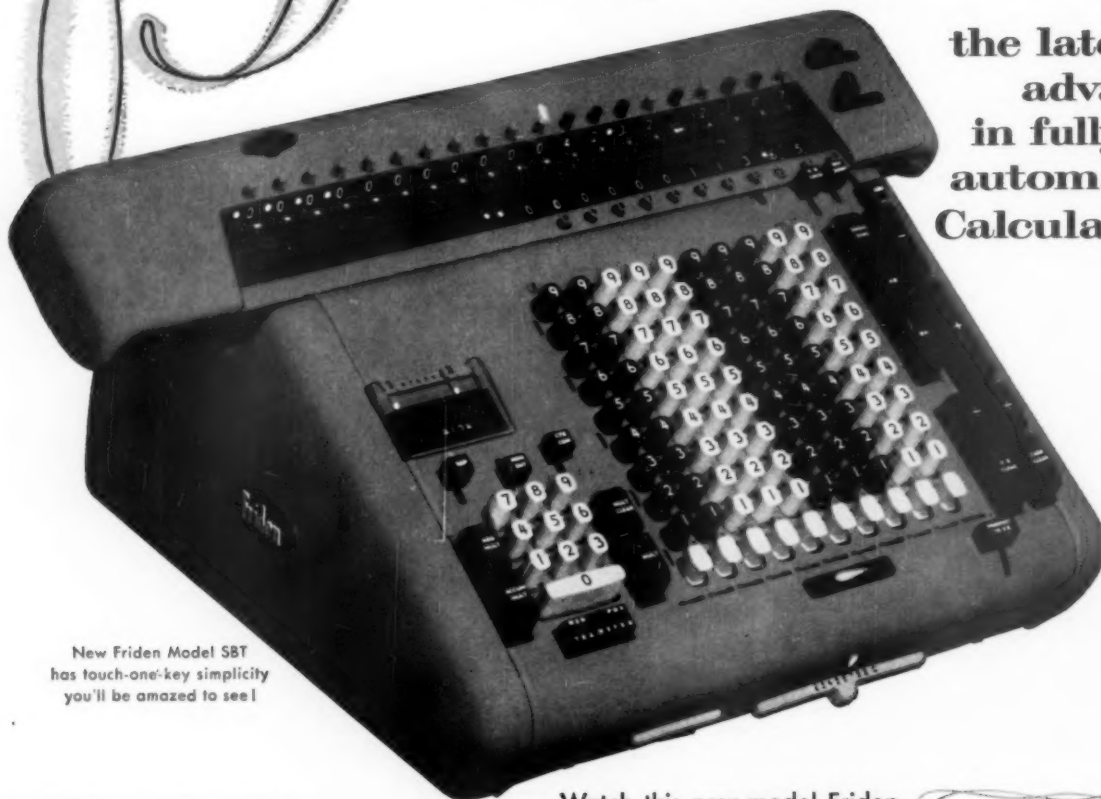
Now "brighter" than ever!—even more dramatically

THE THINKING MACHINE OF AMERICAN BUSINESS

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*Presents*

**the latest  
advance  
in fully  
automatic  
Calculators**



New Friden Model 58T  
has touch-one-key simplicity  
you'll be amazed to see!

**AUTOMATIC  
CHAIN  
MULTIPLICATION**

Flick of a key automatically transfers products from dials to keyboard for further calculation, eliminating many of the intermediate steps in multiple-factor multiplication.

Watch this new model Friden  
save manual and decision steps in any figure-work  
problem. For example, note time saved by:

**AUTOMATIC ACCUMULATION  
OF INDIVIDUAL EXTENSIONS**

Touch of a key automatically transfers individual extensions to storage dials, adds or subtracts as required, and produces a grand total.

**AUTOMATIC ROUNDING OFF  
OF FRACTIONAL CENTS**

Operator merely sets a dial—in any of six positions—and machine automatically rounds off fractional cents to the nearest full cent.

**EXCLUSIVE  
FULLY AUTOMATIC  
MULTIPLICATION**

Touch one key after setting both factors, proved answer appears in dials. It's clearly shown in so many ways—the Friden performs more steps in figure-work *without operator decisions* than any other calculating machine ever developed.

*has the system*  
**Friden**

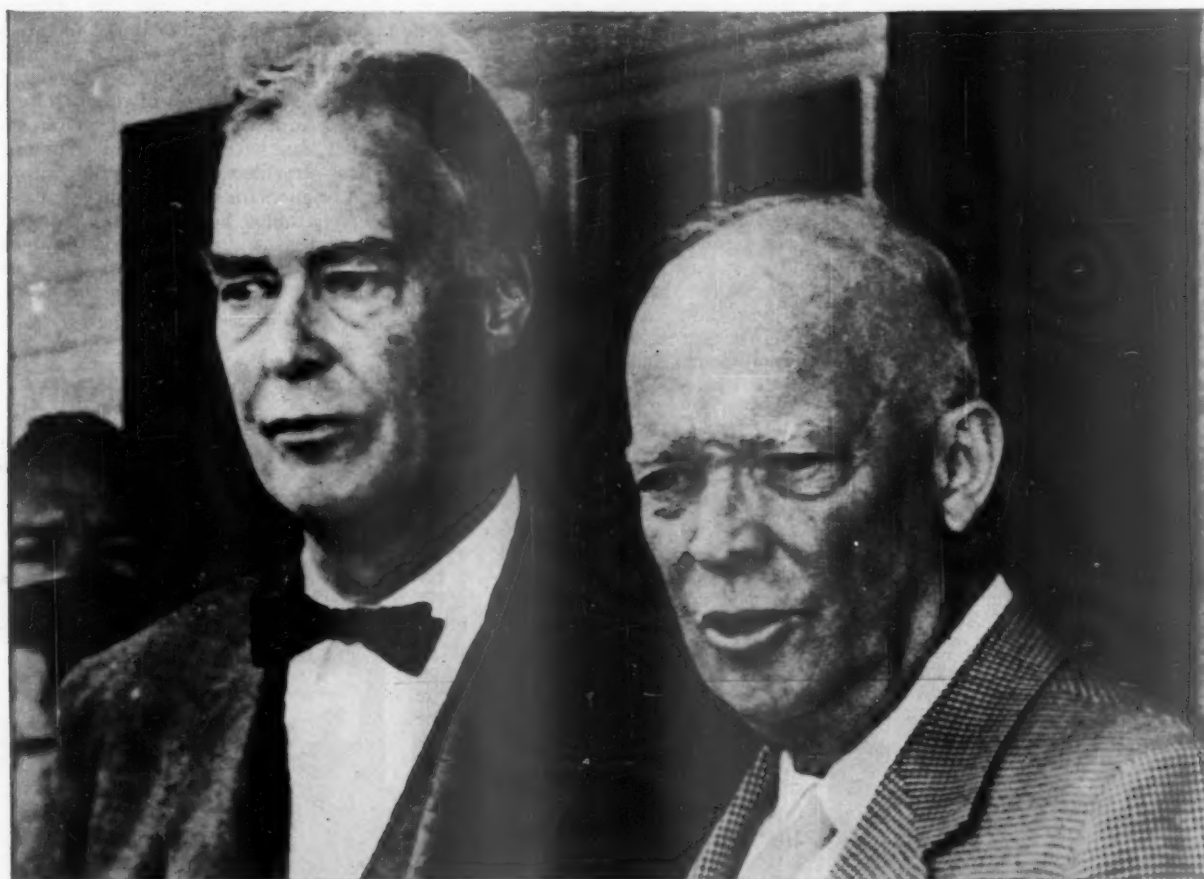
Cost-saving office automation begins with the fully automatic Friden Calculator! Call your nearby Friden Man or write Friden, Inc., San Leandro, California... sales, instruction, service throughout U.S. and world.

"Brighter" calculators  
are one of the ways...



FRIDEN SILVER ANNIVERSARY • 1934 - 1959

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## The Changes Herter Brings

Not since the spring day 14 years ago when Harry S. Truman inherited the Presidency of the United States has there been such anxious speculation about a change in the top U.S. leadership as this week, when Christian A. Herter (cover and picture, above) succeeded John Foster Dulles as Secretary of State.

The uncertainty created by Herter's appointment is compounded of several elements. In part, it is simply a tribute to the strength and brilliance of the cancer-stricken Dulles, reflecting the authority he wielded in the conduct of U.S. foreign policy. Dulles was virtually the President of the United States where foreign policy was concerned.

The anxiety is heightened by the fact that the change of command comes as the Western allies are bickering among themselves and with Washington over

Soviet Premier Khrushchev's probings in Berlin.

• **Two Nagging Questions**—Against this background, those who feel concern over the changing of the guard at the State Dept. focus on two painful questions:

- Are Herter's character and policy views tough enough to withstand the pressure?

- Does the new Secretary of State have the full confidence of the President?

Two events raised this second question last week: Herter's appointment was delayed after the announcement of Dulles' resignation, despite the fact that the Administration had had nearly two months to consider the problem of the succession. Then, when the President finally did announce his decision on Saturday, he did it curtly, conspicu-

ously omitting any words of support or encouragement.

But still another event suggested that the anxiety is more superficial than real—when Congress confirmed Herter's appointment with unprecedented speed. It waived a normal seven-day procedure to approve him unanimously and in four hours.

### I. Reasons for Worry

The fears showing up in Washington are that Herter, through lack of personal aggressiveness or of the full confidence of the President, may fail to win clear authority for the formulation and direction of foreign policy. Foreign policy may tend to be made by committee, it is feared, with the President leaning on the counsel of Vice-Pres. Nixon, Gen. Alfred Gruenther, Dulles

himself, and possibly others—and Herter might have to accommodate himself to this.

• **Fixing It Up**—On the face of it, the doubts over Herter's accession to the top foreign policy job in Washington seem almost absurd. Eisenhower has in Herter a man qualified for the position both by his over-all experience and his intimate knowledge of the pathology of the international crisis.

How people evaluate Herter in his formidable new job depends on how they size up the current power balance between the U. S. and the Soviet Union.

The worriers are those who believe that the balance is tipping so rapidly against the U. S. that only Dulles' "brinkmanship" and threats of "massive retaliation" can hold Khrushchev at bay. It is obvious that Herter is neither willing nor able to conduct U. S. policy with Dulles' outward show of toughness—which frequently concealed much more caution behind the scenes.

One unhappy U. S. official summed up this fear in these terms: "Herter is too gentle and basically decent to be a good secretary. He lacks the inner hardness of Dulles and of Acheson. This is something that both Khrushchev and allied leaders will try to exploit."

The optimists are those who feel that Khrushchev basically is more interested at this stage in consolidating and stabilizing postwar gains, in order to concentrate on internal economic development of the Soviet bloc. These men tend to welcome Herter on the ground that his characteristics may make it easier to negotiate a *modus vivendi* with Khrushchev.

Of course, no one man is likely to affect the destiny of the U. S. more than marginally. Under Dulles and now under Herter, U. S. foreign policy is in transition from the early crisis-to-crisis reaction to the Soviet threat. Policy has been shifting to a long, slow effort to beat Communism economically and politically, while containing it militarily. Dulles' aggressive showmanship disguised the difficulty of the transition.

## II. How Herter Qualifies

Herter's professional concern with foreign affairs goes almost as far back as that of John Foster Dulles himself. Born in Paris in 1895, he was sent at 21, fresh out of Harvard, to the American Embassy in wartime Berlin, where he served as attache in 1916. He then was brought back to Washington as a special assistant to the Secretary of State. Soon after, he became a member of the famous "Versailles Club" of bright young diplomats who advised Pres. Wilson during the peace negotiations. Among the other members was Dulles.

During the early 1920s Herter was

executive director of the European Relief Council and at the same time special assistant to Herbert Hoover, then Secretary of Commerce. In 1924, he went into journalism as editor of *The Independent* and later *The Sportsman*.

• **Political Skill**—The big thing that distinguishes Herter from his predecessors—and perhaps his outstanding asset—is that he is a seasoned politician.

Herter probably has more friends and influence in Congress than any Secretary of State since Cordell Hull.

• **Election Victories**—Herter was elected to the Massachusetts Legislature in 1931; he was its speaker from 1939 to 1943. Then he served five consecutive terms in the House of Representatives and two terms as one of the best governors Massachusetts has had in recent times.

In Congress, Herter was one of the small, courageous group of Republicans who labored to wean the Republican Party from its traditional isolationism.

Herter's biggest personal contribution to date to foreign policymaking came in 1948 when he inspired and led a special committee of Congress to Europe to build support for the Marshall Plan. He also plugged hard for the United Nations; he was one of the early Congressional delegates to it.

• **Record in State**—As Under Secretary of State, Herter has been something of a disappointment to some associates, who expected dramatic deeds when he was appointed in 1957. But as he himself said in one of his characteristic low-pressure quips, he has been "No. 2 man in a one-man operation."

## III. Hard Shoes to Fill

Within the State Dept. he has been popular. He has been an efficient administrator. He has a knack for getting the best out of his subordinates by listening to them and encouraging them to take responsibility. Although he is gentle and mild-mannered, with none of Dulles' sharp aggressiveness, he is not weak. He has been known to bang the brass-encrusted heads of Pentagon generals politely but firmly and to carry disputes victoriously to the White House.

Why then all the concern about Herter's appointment, in the face of his almost unique record of experience?

Part of the answer, obviously, lies in the inevitable sense of loss when a man like Dulles retires and a largely untried man of a different sort takes over. This feeling is intensified by the uncertainty about Herter's standing with the President.

• **Impossible Spot**—No man can hope to achieve the unique position with the President that Dulles enjoyed. The Dulles-Eisenhower relationship was the product of years of close association in

political battles abroad and at home. But there is no reason to believe that such a relationship is essential to the effective conduct of U. S. foreign policy. One veteran diplomat puts it this way:

"Inevitably the doors of the President's office now will be opened to many people seeking to influence foreign policy, whereas formerly only Dulles had a master key. This would have happened no matter who succeeded Dulles. It is the normal way of doing things. And a variety of influences on foreign policy can have a healthful fertilizing effect—provided the President controls and balances his advisers rather than being controlled by them, and provided that he gives most weight to the most qualified counselors, the professionals in the State Dept. headed by the Secretary".

## New Secretary of



BRITISH Prime Minister Harold Macmillan worries Washington with his emphasis on a flexible approach to Soviet demands.

• **Shakedown Phase**—That doesn't answer the question of how much trust and support Eisenhower will give to Herter. Probably this question is unanswerable at this stage. Herter may have to go out and win fuller confidence from the President in the trying days ahead.

Much of the gossip this week about Eisenhower's alleged lack of enthusiasm for Herter, however, is clearly baloney—to paraphrase rougher descriptions of it by high Administration officials. Herter, after all, was brought to Washington as Under Secretary of State two years ago specifically to understudy Dulles for just such an emergency.

At least at the beginning of Herter's tenure, the President will assume more direct control over foreign policy himself. A bigger foreign policy role for

Nixon will follow almost automatically from this. It is in line with Eisenhower's long-standing policy of building up the importance of the Vice-Presidential office and with the consistent confidence he has shown in Nixon.

• **Test to Come**—Herter has yet to prove himself as a negotiator. In his first real test, at the recent allied foreign ministers' conferences, he showed himself somewhat uncertain at the outset, but gained assurance as the talks progressed.

But there is a great deal more to being an effective Secretary of State than negotiating ability. One very important quality is to be a good administrator of the far-flung organization of the State Dept. This Herter will be. That could lead to more consistent and steady policymaking, to less "crisis" diplomacy

and more "preventive" diplomacy, as the career men at State put it.

• **Where He Stands**—About Herter's policy views not much is known yet, because it is very difficult to sift his own opinions from the private views of Secy. Dulles, to whom he loyally deferred as Under Secretary.

But it probably would be fair to say this: Herter's concept of the great struggle with the Soviet Union and Red China is not soft. But he is somewhat more hopeful about the current chances of limited agreements with Khrushchev than Dulles is. This shows up most clearly in his approach to the Berlin crisis. He is as determined as Dulles not to yield to Soviet pressure. But he is more hopeful that Khrushchev may be ready now for some real give-and-take bargaining.

## State Will Bargain with Both East and West



SOVIET boss Nikita Khrushchev threatens an attempt to drive the West from Erhard, stand firm against Kremlin's views on Berlin and a divided Germany.

WEST GERMAN Chancellor Konrad Adenauer and his heir apparent, Ludwig Erhard, stand firm against Kremlin's views on Berlin and a divided Germany.



FRENCH Pres. Charles de Gaulle backs Bonn on stiffness against Soviets, but like Germans has some differences with U. S.



**HELICOPTER LEADS THE WAY** as the Coast Guard icebreaker Mackinaw crashes through 60 mi. of broken 24-in. ice in Whitefish Bay, the lower end of Lake Superior. The helicopter is based on the ship, carries an observer qualified to judge ice conditions.



**MARKING A PATH** for the Mackinaw's return to the exit from Lake Superior, a crewman safeguarded by a rope from the ship rolls out a barrel. Next morning, markers helped guide the convoy.

**ORE BOATS FOLLOW** the Mackinaw through the path cut the previous day. In this group of three ships, the Coast Guard boat was escorting a total value of \$25-million in vessels and cargo. ➔

# Opening the Lakes' Ore Season

Last week, the ice in Whitefish Bay, at the outlet of Lake Superior (map), was still two feet thick as the U.S. Coast Guard icebreaker Mackinaw crunched her way to open water to lead three iron ore boats back to the Soo Locks (pictures).

At 3:45 a.m. on Thursday, the Mackinaw made radio contact with the Philip R. Clarke, Arthur M. Anderson, and Cason J. Callaway, all owned by the Pittsburgh Steamship Div. of U.S. Steel Corp. By 7 a.m., the three ore boats were following the Mackinaw through a lane of broken ice to the St. Marys River, which leads into the locks.

Thus, the 1959 lake shipping season opened in the upper lakes—but later than had been hoped.

• **Rough Winter**—Ice delayed the ore

shipping season just as it had postponed the St. Lawrence Seaway opening.

St. Lawrence Seaway backers had hoped especially for an early start in order to quiet the critics who say the winter shutdown will discourage foreign shippers. Steel companies had wanted an early start for navigation on the upper lakes because their mills are humming with strike-scare business. This winter's weather upset the hopes of both groups.

It was one of the severest winters in decades along the Great Lakes, with temperatures averaging more than four degrees below normal in large areas. Lake Superior doesn't freeze entirely, but a larger percentage was iced in this winter than most people remember.

Last year, ironically, when demand for steel was down and ore boat op-



SHORESIDE commander of operations in the Soo area is Commander E. J. Bodenlos, here checking by radiophone with Mackinaw.



MAN ON BRIDGE is Capt. J. P. German, skipper of the Mackinaw and commander of all floating units breaking ice in the Lakes.

crators were in no hurry to open navigation, the ice melted early. The Mackinaw, only icebreaker on the lakes, never had to go into Whitefish Bay, the usual place for the ice jams.

So it happened that, because of last year's inactivity and the Coast Guard's system of rotating officer's assignments, not a single officer on the Mackinaw last week had ever bucked the ice of Whitefish Bay.

• **Fleet at Work**—The Mackinaw is aided in the icebreaking assignment by five buoy tenders that have icebreaking bows and by a flotilla of lesser craft, up to 110-ft. tugs. All are under command of Capt. J. P. German, the Mackinaw's skipper. Ship traffic between the St. Marys River at Lake Superior and the town of Detour at Lake Huron is controlled by Commander E. J. Bodenlos (picture, page 27) of the Soo Base.

This year, the Ninth Coast Guard District operation, commanded over-all by Rear Adm. Joseph A. Kerrins from Cleveland headquarters, was given the code name of Operation Springout, 1959. By the time the Mackinaw put out to bring in the first ore carriers, Saginaw Bay had been opened to safe navigation, and other task forces were working on Green Bay, the Straits of Mackinac, and the Soo area itself. But the buoy tenders had not yet been able to set the navigation markers for the season in the stretch from Superior to Huron.

• **Traffic Problem**—Only in the connection between Lakes Superior and Huron does the Coast Guard have the power to tell ships when to move and when not to move. Bodenlos invokes this power during fog in summer, and he ordered last week that no ship move at night in the absence of the buoys.

As the three Pittsburgh Steamship boats came down Lake Superior, an Inland Steel ship, the Wilfred Sykes, was coming up from Lake Huron. The night before the Mackinaw sailed, Capt.

German still was undecided whether she would lead the Sykes out before bringing the three Pittsburgh ships back. But the question was solved when Bodenlos forbade the Sykes to continue after dark, delaying that ship until the Mackinaw's second trip out.

As it worked out, the Sykes and a Ford Motor Co. ship, the William Clay Ford, were waiting when the Mackinaw delivered the three Pittsburgh ships, and the Mackinaw had three more Pittsburgh ships to bring down after she had taken the Sykes and the Ford to open water.

• **But No Ice Trouble**—Despite the thickness of the ice, the Mackinaw had no trouble carrying out her mission. As a survey by her helicopter had shown, the collar of ice at the lower end of Superior extended about 60 mi. Only occasionally was ice piled thickly enough in windrows to force the Mackinaw to back up for another rush.

Several times, however, splintered ice clogged her water intake screens, and she would stop while the inlets were cleaned.

The Mackinaw is built to break ice by riding up on it and crushing it downward. The bow extends only down to the waterline, then jogs sternward for about 10 ft., providing a nearly flat surface to ride up on the ice. She also has an extra propeller under this projecting bow to churn away the water and weaken the ice.

If the Mackinaw should be stuck, she would put her heeling and trimming systems into operation. Huge tanks are fitted on each side in bow and stern, and water can be pumped rapidly back and forth among them through 24-in. pipes to rock the ship from side to side forward and backward.

The Mackinaw didn't need these devices last week. The ice wasn't thick enough for that—only thick enough to disappoint ship operators' hopes of an early season.

**FIRST SHIP THROUGH Soo Locks** was the O. S. McFarland, operated by Columbia Transportation Div. of Oglebay, Norton & Co.

# Why Buick

**Instead of regaining leadership of medium-price market, the '59 model has been slipping behind even dismal 1958 in sales figures.**

It's official now—the 1959 Buick is in trouble.

General Motors' management admitted as much last week when it replaced Edward T. Ragsdale, a corporation vice-president and Buick's general manager for three years. He retired at age 61 after 36 years with GM. Into his job on May 1 as general manager—with a vice-presidency presumably to come later—goes Edward D. Rollert, now general manager of GM's Harrison Radiator Div.

Ragsdale's departure was no surprise. This had been planned as the comeback year for Buick, which had slipped badly in the last couple of years. Long a medium-price leader before that, Buick had taken the No. 3 sales spot from Plymouth in 1954, held it until 1956.

• **Everything New**—This model year, the Buick Div.—first to introduce its 1959 line—sported a new top management team under Ragsdale, a new distinctive design, new names for its three lines, a new advertising agency, and enthusiasm to back its advertising theme: "Buick '59: The Car" (BW—Sep. 20 '58, p70).

But the '59s never quite got out of low gear. Sales are trailing 1958, and that was a dismal year for almost all the auto industry. For the first three months of 1959, Buick's sales were 66,465, against 71,947 a year before. This is at a time when auto sales generally are outpacing 1958 figures; some makes are ahead of last year by wide margins. First-quarter sales for the industry are estimated at more than 1.3-million cars, still below 1957 and 1956 but about 24% ahead of 1958.

Buick started out fairly well, but the division soon began cutting back production. Today it is operating at only 40% of capacity, producing about 4,500 cars a week.

• **Guessing Game**—What happened? One man closely associated with Buick's fortunes commented: "If I knew, I'd be worth millions of dollars to GM."

The fact is that Detroit right now is in a guessing game, just as it was after the Edsel failed to catch on. To some extent, Buick's failure parallels that of Edsel, Ford's medium-price entry that came a cropper its first year. Its plight also resulted in sweeping management changes (BW—Jan. 18 '59, p36). Going back even further, Buick itself offers



# Comeback Year Has Turned Sour



EDWARD T. RAGSDALE, who fathered disappointing Buick, is replaced by . . .



EDWARD D. ROLLERT, of Harrison Radiator Div., as Buick general manager.

another parallel—the 1933 “pregnant” model that flopped miserably and is recorded as one of the great GM mistakes.

You can take your pick among the reasons being propounded in Detroit for Buick's troubles. Part of the problem undoubtedly is a hangover from the quality woes of a few years ago which caused Buick to lose some of the loyalty every nameplate needs.

• **Shrinking Market**—Perhaps more important is a decline in the whole medium-price auto market—a trend becoming clearly apparent. Among the popular makes, demand for six-cylinder models is unexpectedly heavy, and Detroit executives are readily admitting that economy dominates consumer thinking. This is the reason, of course, that the Big Three are scheduling introductions of small cars later this year. It also explains the sales of small foreign cars and the galloping gains of American Motors' Rambler and Studebaker-Packard's Lark.

At the same time, the low-price three—Chevrolet, Ford, and Plymouth—have upgraded their styling, size, and prices to take a bigger share of the middle market.

• **Other Theories**—One person close to Buick argues that there's nothing to explain; he insists that (1) the car should never have been expected to hold third place; (2) others in its price class—except for Pontiac, which he considers a “top-of-the-line Chevrolet”—are having a tough time, too; (3) Buick is still No. 2 behind Oldsmobile in its market.

Still, a GM executive puts the blame for Buick's failure on the rise of GM's

Pontiac, whose sales are booming. “We have more than 80% of the so-called medium-price market,” this man says. “Where do you think Pontiac's been getting its business? It has to come from some other GM make.”

Other guesses about what happened include Buick's drastic style change, designed to appeal to buyers who may have thought Buick too “conservative” in the past. Now, say these second-guessers, maybe they think Buick isn't conservative enough. A competitor, going more deeply into style, claims that Buick sacrificed some interior comfort and space to achieve its sleek exterior.

• **Agency's Idea**—Another guess is that perhaps the name change—from Special, Century, Super, and Roadmaster to Le Sabre, Invicta, and Electra—and the collapsing of four series into three were a mistake. The name changes were the idea of McCann-Erickson, the ad agency that gave up the Chrysler account to take on Buick's 1959 model. The new names were supposed to emphasize “a new generation of fine cars,” breaking away from the past just as did Buick's styling.

There are complaints, too, that Buick dealers who prospered along with the division a few years ago haven't exerted enough merchandising effort.

• **Not the Year**—All the guesses, though, don't help salve Ragsdale's deep hurt. He was confident that this was “the year,” as the advertising proclaimed. A manufacturing man through most of his years with Buick, he worked hard at improving the car's quality for 1959, not hesitating to acknowledge that complaints in 1955, 1956, and

1957 had harmed Buick's reputation. He couldn't understand how he could work so hard and seemingly do all the right things—and still not pull it off.

The same mystification pervades McCann-Erickson offices. Though the agency came into the picture late, it planned and executed a lot of the advertising and merchandising strategy that so far have failed to get Buick going. No doubt McCann-Erickson will keep the Buick account, since it is reported that GM executives didn't like all the fuss and bother—and criticism—that accompanied Ragsdale's selection of a new agency last year. GM, it is said, wants no repeat performance.

• **New Campaign**—Meanwhile, however, McCann-Erickson has shifted its advertising emphasis. It has launched what it calls a “massive endorsement” campaign in newspapers in 35 top markets. Buyers of the 1959 Buick are being enlisted to expound the car's virtues. “It's a market by market by market push,” says a McCann spokesman, “with individual sales managers for each market.”

The new newspaper campaign follows a hot dispute with publishers early in the model year after McCann circulated research results among Buick dealers. These purported to show that television was more effective than newspapers in auto selling.

• **Rollert's Challenge**—Some industry people think Buick's new manager, Rollert, faces a long-range problem afflicting all the medium-price cars—a shrinking market. He comes into Buick with the 1960 car all wrapped up and the 1961 design just about frozen. His first car will be the 1962 model—as the 1959 was Ragsdale's first.

Going outside a car division for a new general manager is not unusual in GM, particularly when the division is in sales trouble. S. E. Knudsen, who is making such a splash this year as general manager of Pontiac, moved into that job three years ago from the Detroit Diesel Div.

Coming from the outside, Rollert will be able to make sweeping changes without the inhibitions of an insider, who might feel he would have to temper his actions with consideration for the feelings of long-time associates.

Rollert has worked at GM for 23 years and is still only 47 years old. So he's another example of GM's crop of younger executives, experienced in a number of jobs and with enough time left to qualify for the numerous higher executive positions that will open up during the tenure of Frederic G. Donner as chairman and John F. Gordon as president (BW-Apr.18'59,p142).



HENRY WALLICH is moving to the again influential CEA after a hitch in the Treasury Dept.



CHARLES E. WALKER succeeds Wallich as economist-at-large in Treasury, where he will work chiefly on debt management.

## New Crop of Economists Focuses

**For studies both in Congress and inside the Administration, some relatively new professionals have been mobilized.**

The four men in these pictures, all professional economists and all moving into positions of great potential influence in Washington, have two things in common.

They are relatively new to the top echelon of government economists, and all are caught up in the deep concern felt by officials over the future of the economy.

In one way or another, each of these men will be wrestling with the problems of inflation and economic growth—the two economic issues that have dominated Congress and the Administration since the 86th Congress convened last January.

The jobs of two of them—W. Allen Wallis and Otto Eckstein—were first laid out on paper early in the year, at a time when the Administration and Congress both were suffering from acute attacks of economic jitters.

### I. Cabinet Committee

Wallis was selected last month to be executive vice-chairman of the Administration's special Cabinet committee to study the problems of inflation and growth. He's already at work, with an office in the Executive Office Bldg. adjacent to the White House. He works

for Vice-Pres. Richard M. Nixon, the committee chairman, but also meets frequently with the whole committee, which contains such Administration stalwarts as Commerce Secy. Lewis L. Strauss, Treasury Secy. Robert B. Anderson, Postmaster Gen. Arthur E. Summerfield, Agriculture Secy. Ezra T. Benson, Labor Secy. James P. Mitchell, and Raymond J. Saulnier, chairman of the President's Council of Economic Advisers.

Wallis is on leave from the University of Chicago, where he is dean of the Graduate School of Business Administration. The main function of the committee, as Nixon and Wallis see it, is to draw attention to practices in government, industry, and unions that are inflationary or that obstruct economic growth.

• **Look at Productivity**—The impact of the Nixon-Wallis approach is already being felt in the Administration. Neither man, for example, believes that the entire blame for inflation should be dumped at the door of union labor. Nixon and Wallis aren't inclined to pin the inflation blame on federal spending either, though Nixon is always careful to align himself with the Eisenhower balanced budget drive.

They are showing the most interest

in a broad study of productivity. Nixon calls this the positive way to attack inflation, and Wallis agrees. They are now seeking ways to tackle the problem without seeming to pick out any particular industries or unions for censure. Their theory is that industries that lag in productivity not only are forced to raise prices but also hold back growth of the economy as a whole. They have cited as possible examples construction, cargo handling, and transportation.

Using his committee chairmanship as a springboard, Nixon is speaking out with increasing vigor on economic problems. He went out of his way last week before the American Society of Newspaper Editors, for example, to warn steel management and the steel union sternly against an inflationary wage settlement this summer.

### II. Congressional Committee

In some respects, 32-year-old Otto Eckstein is doing for the Democrats what Wallis is doing for Nixon and the Administration. He is staff director of the Joint Economic Committee's comprehensive look at the economy. This, too, will center around the problems of inflation and growth.

Eckstein was selected for the job by Sen. Paul Douglas (D-Ill.), committee chairman, and the Democratic majority



OTTO ECKSTEIN of Harvard is staff director for Joint Economic Committee's investigation, run by Congressional Democrats.



W. ALLEN WALLIS is at work on Cabinet probe emphasizing influence of productivity on inflation.

## on Nation's Prices and Growth

on the committee will guide the direction of the study in its broad outlines. But Republicans who know Eckstein's views are confident he will turn out a professionally competent report.

Eckstein came to the attention of the committee last year when he prepared a paper on the relation of the wage-price spiral to economic growth. He tilted sharply with some of his older and better-known colleagues at Harvard, such as Sumner Slichter and John Kenneth Galbraith, who argue that the wage-price spiral is the cause of modern inflation.

• **Bottlenecks**—Eckstein believes that high demand in a few bottleneck industries is the chief factor; he points to steel and industrial equipment. This theory is closer to the economics of many Republicans than to the views of men such as Slichter and Galbraith.

Eckstein draws a number of conclusions that will also please the Republican side of the committee: Investment should be encouraged over the long run; wage increases granted in the bottleneck industries slop over into other industries and the service trades, thus contributing to inflation; attempts by the government to intervene directly in collective bargaining would probably do more harm than good.

But he is also critical of tight money as a means of checking modern inflation; he favors controls over consumer credit, and approves, at least to some de-

gree, influence over investment rates.

Eckstein will not set up shop in Washington until May 1. A report by the committee, due next Jan. 31, is expected to play an important part in Democratic-sponsored economic legislation next election year.

### III. Treasury and Council

Charles E. Walker is moving into the Treasury as economist-at-large, to work with Secy. Anderson and Under Secy. Julian B. Baird, chiefly on debt management. Walker left a vice-presidency of the Federal Reserve Bank at Dallas to join the Treasury staff.

He takes the place of Henry Wallich, who is moving over from Treasury to the Council of Economic Advisers. Wallich left the Yale faculty last October to become the first professional economist on Anderson's personal staff. Now he fills the place on CEA vacated earlier this year by Paul McCracken.

• **CEA on the Ascendant**—Wallich is joining CEA at a time when it is regaining prestige and influence. Saulnier has emerged in recent months as one of Eisenhower's most effective anti-inflation spokesmen and as one of the Administration's more inventive administrators. He participated in the earliest planning stages of the committee now led by Nixon, for example, and also proposed another committee to keep a watchful eye on government policies

that might contribute directly to inflation. He is now chairman of that committee.

Wallich, who considers himself a general economist and not a specialist in finance, holds the same moderate views on inflation that Saulnier preaches inside the Administration.

"We're not saying that inflation is going to appear again on such and such a date," Wallich says. "We are just saying that the danger is from that direction and that we should build our defenses from that side."

### IV. Fears Fade

This is typical of a generally more relaxed attitude in Washington.

Officials are still deeply concerned with the problems of inflation and growth, but are settling down to a calmer, more studious look at both. The chief reason is the persistence of favorable business news.

The consumer price level has been stable for a year, and Administration spokesmen have quit talking as though they fear an early upturn in it. In real terms, gross national product is running 7% higher than a year ago and is heading for even higher levels. Compared to the historic U.S. growth rate of 3% a year or even the 5% that liberal Democrats now insist is necessary, this showing takes the political heat out of the situation.

# White-Collar Jobs Blossom Again

- Employers are beginning to restock their office help "let out" during the business recession.

- They're finding it harder than they had expected to get "qualified" personnel. Salaries are up, too.

- The growing lists of help wanted ads are a good indicator of what's ahead for our economy.

A fresh barometer of business confidence is pointing upward. In most major cities, managements are starting again to build up their office staffs.

Last year's recession brought comparatively little anguish for white-collar workers—clerical staffs, secretaries, accountants, office managers. Few were laid off in comparison to retrenchment among production workers. But many managements let attrition take its course and refrained from hiring new people for their staffs. The white-collar job market soured, and the help wanted columns of the newspapers shrank away. For the first time in years, it got just a little easier for a businessman to hire a secretary.

- **Harder to Find**—In the last couple of months, the trend has swung quickly the other way in most of the nation's major commercial centers. BUSINESS WEEK reporters in those centers spoke this week with employers and employment agencies and found that it's just beginning to get a bit more difficult for a businessman to hire a secretary, that salaries for clerical workers and office managers are just beginning to climb after a year's pause, that the volume of newspapers' help wanted ads is increasing fast.

White-collar employment is not yet back to its pre-recession peak. In mid-1957 it probably stood at around 23-million. (You can't be positive about these figures because the term "white collar" covers a broad range of jobs that cannot easily be categorized and that range from a \$40-a-week file clerk to an \$8,000-a-year private secretary or a \$10,000-a-year office manager. The best you can do is make a round estimate based on Census Bureau job statistics.) Last spring, white-collar employment was near 20.5-million. Today, it's probably around 21-million.

## I. Rising Barometer

BUSINESS WEEK's survey this week indicates that white-collar employment is in for a fairly rapid rise. The volume of help wanted ads in some of the country's major newspapers is a good indicator of what's ahead. The New York

Times carried more than 2,000 columns of these ads in February, compared with only 1,400 columns in February, 1958. The pattern is much the same in Los Angeles and Chicago.

In Los Angeles, the Security First National Bank has been testing the value as a business forecaster of the volume of help wanted ads in Los Angeles newspapers. It has found it is a reliable lead to general business changes. It seems to give the greatest lead before a downturn in general business. On the upturn, it seems to be a good guide not so much to where business will be in a month or two but to where businessmen expect it will be six months hence.

- **Pre-Recession Mark**—Today, Security First's help wanted index is climbing as steeply as it did during the recovery from the 1953-54 recession. Naturally enough, Los Angeles employers who agree that last year they were able to pick and choose from among well-qualified candidates for white-collar jobs say the market is getting tighter now.

Says Pacific Mutual Life Insurance Co., "Office help is becoming about as difficult to find as it was two years ago." And the California Employment Dept. says, "Salaries for clerical workers are up 5% to 6% over last year. . . . Those companies that haven't raised their salary levels are having a tough time getting the people they want."

New York is the center of the white-collar workers' world, and there the New York State Employment Service's commercial and sales placement office has just recorded that "job orders" (employers' listings of vacant jobs) in March were 21% more than in March, 1958. Almost all that increase has come in the last three months.

What the New York Office Executives' Assn. calls the "vacancy pool"—white-collar jobs that remain unfilled at any given moment—stood at 60,000 just before the recession, dropped to 30,000 last September, and is now about 45,000.

- **Pattern Varies**—This kind of swift climb in management's demand for white-collarites is not the pattern in every major city.

In Cleveland, for example, there's

still a recession-time oversupply of white-collar workers. One employment agency there had a major steel company as its best customer until the recession hit; until a couple of weeks ago the steel company had gone eight months without seeking more office workers.

In Milwaukee, Minneapolis, and Memphis, the market for white-collar workers is about as slow.

- **Plenty of Jobs**—But even in cities where the market is improving fast, many white-collarites still haven't regained the confidence they had in 1957. Turnover in most offices is much slower than it was two years ago; the white-collar man clings to his security and seniority. This may please management, but it doesn't always please employment agencies. Says New York agency operator Ted Stitt, "Lots of people in the \$7,000-to-\$9,000 range are being overly cautious. . . . There are plenty of jobs open for them at better pay, but they're being very hesitant about moving."

It's probably a sign of cost-consciousness bred by the recession that among those white-collar workers in greatest demand in many cities are accountants and others who can feed cost-control data into computing machines. On the other hand, the market for public relations men, many of whom lost their jobs early in the recession-inspired cutbacks, is still thin.

## II. New Standards

In New York, as in most other cities where white-collar employment is gaining quickly, employers say that any office worker who's "properly qualified" can easily find a better job.

But "properly qualified" means something different now from what it meant two years ago. Automation in the office is beginning to change the white-collar worker's job.

Says a West Coast insurance company's personnel director, "Our new computer equipment eliminates the need for great numbers of card pullers and address changers. We can't apply the 'breathing test' to job applicants any more; it used to be that if they were alive and breathing they'd be hired. Now we need people who can use their heads, who can assemble the data to be used in the computers."

- **Jobs Change, Too**—Though automation does displace those office workers who can only breathe, it creates new jobs for other white-collarites. And though a computer breezes in seconds through what used to be dozens of man-hours of work, companies are finding

All Lockheed Electras currently in domestic commercial service use Sinclair Jet lubricants.



## With the Greatest of Ease!

That reference to the old song is appropriate because Sinclair has long been a leader in making airline engines sing. The new jet engines take to Sinclair lubricants just as piston engines have done for years. These lubricants have been approved by all leading U.S. jet engine manufacturers and are used in both commercial and military service.

Latest figures show that Sinclair Refining Company supplies 45 per cent of all aircraft oil used by major scheduled domestic airlines and is also a leading supplier of jet fuel.

This sales record, made where dependability of product is essential, testifies as to the quality of Sinclair's research skills and manufacturing techniques.

***Sinclair***  
*A Great Name in Oil*

SINCLAIR OIL CORPORATION • 600 FIFTH AVENUE • NEW YORK 20, N. Y.

more and more work for computers to do—work that used not be done at all.

Mechanization is changing the job of the secretary, too. With widespread use of transcribing machines, many more secretaries are handling less and less dictation and typing and are becoming, in effect, administrative assistants to their bosses. Meantime, though, more and more jobs open up for transcribing machine operators.

• **Qualifications Count**—These changes breed management's demand for greater quality—more brainpower—among all but the lowest-rung office workers.

Probably no businessman is ever ready to admit that he can hire enough people with the proper qualifications or that the qualified people he does hire shouldn't be better.

So this week, *BUSINESS WEEK*'s reporters found employers and employment agencies as usual bewailing the shortage of qualified job applicants. Significantly, though, some company personnel directors said that in the recession they managed to drop some of the least qualified white-collar workers hired during the fat days of 1956 and 1957. Says one New York insurance company official, "We've tried to set a better minimum standard, and we're trying to keep it that way. . . . But it's getting harder now that the white-collar job market is tighter."

In Chicago, the Illinois State Employment Service senses a similar trend: "Some companies are stockpiling skilled office help. They're hiring personnel they don't need just yet, because they still seem to be able to get that skilled help."

### III. Difficult Search

The chief difficulty with this approach is that the best-qualified white-collar workers hung on to their jobs through the recession and not many of them want to move now. Says an oil company personnel manager in Houston: "We find that quality among our applicants generally is down. Some companies used the recession to weed out their staffs, and we're getting a lot of the weeds applying for jobs."

In Atlanta, where the number of help wanted ads published last month was double that of a year ago, one employment agency has even taken to the radio with spot commercials trying to entice married women back to work.

• **Omens**—Management's search for larger numbers of white-collar workers with greater brainpower will get harder in the next few years, as business expands toward the 1960s. The hollow generation of the Depression years is aged between 20 and 30 now—just that age bracket from which business needs to get its experienced white-collar workers.

## Design for Safer Driving

Bureau of Public Roads' officials question the adequacy of many of the new safety factors in autos and trucks, want to set national standards for these features.

The founding fathers laid it down in the beginning that a man's home is his castle, and the federals should keep their nose out. Similarly, for 50 years, the federal bureaucrat has wisely avoided getting himself involved with the citizen's relationship to his automobile, that symbol of the American way of life.

Now, the federal bureaucracy is reaching out—taking a red-hot interest in the driver, his auto and what it looks like, how it performs, his right to drive it.

Primarily, the big push comes in the name of highway safety. This is of big concern to the federals now that the U.S. taxpayer is pouring billions into new superhighways that should cut the accident toll that runs to 37,000 deaths a year and 1.3-million injured.

• **Suggestions**—Here are specific recommendations from a report the Bureau of Public Roads of the Commerce Dept. is making to Congress:

A drivers' license clearinghouse, to make it impossible for a man who loses his license in one state to get a license from another state.

An interdepartmental highway safety board to work with the states in setting up "leadership, guidance, coordination" of safety programs.

• **Safety Features**—The report seems to indicate that Public Roads' officials would like to set up national design standards on safety factors in autos and trucks. Reason: The bureau finds much in present-day auto design that works against safety on the highways.

The report—put together by Public Roads officials under the direction of administrator Bertram D. Tallamy—concedes that the auto makers have incorporated many safety features in their product over the years. But it notes sharply that "changing automobile design sometimes eliminates one hazard only to find a new one in its place . . . easy driving is not yet a valid synonym for safe driving."

The new low silhouette models are a case in point. Although designers have lowered the vehicle's center of gravity and thus improved its stability and riding qualities on curves, the changes have brought troublesome brake problems. The small 14-in. wheels, the report states, reduce the flow of cooling air around brake drums and lessen their effectiveness.

• **Not Ideal**—There is other criticism of designs too. "The projectile-like components of the bumpers and bumper guards of some cars are largely nonfunc-

tional and present needless hazards to pedestrians, as do some other embellishments, including projecting hood or fender ornaments."

The new wraparound windshields have both plus and minus safety features. They do increase a driver's field of vision, but in bad weather, the wipers fail to clean the end and central area of such windshields. At the time best vision is needed, blind spots may be as large or larger than on old-style flat windshields, the report claims.

Other design features raked by the report include: high tail fins that cut a driver's rear view vision; the arrangement of instruments and controls "appear to have only limited consideration from the viewpoint of safety, judging from the widely varying arrangements found"; rear lighting with the multiple lights have a tendency to confuse following traffic, particularly for turn signals; the lowering of rear lights on some model cars cuts the distance they can be seen by drivers coming over rises.

• **Other Hazards**—Other factors contributing to accidents include low horsepower and old vehicles. It was found, the report states, that generally the safest driving speeds range from 45 mph. to 70 mph., granted this varies with specific conditions.

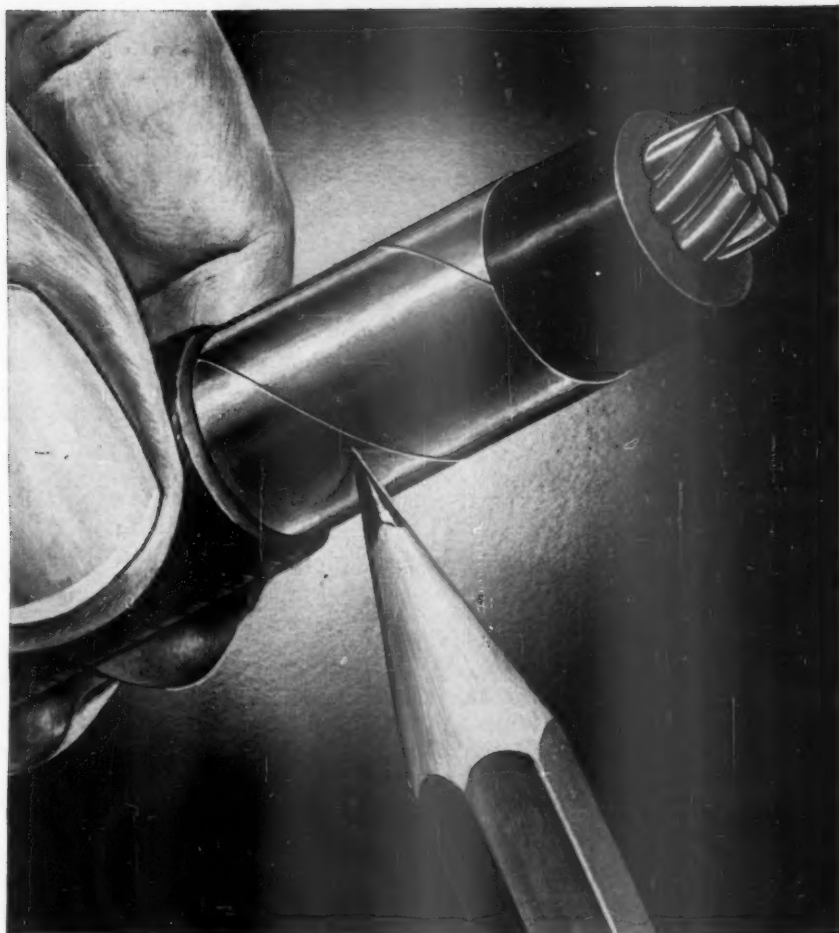
Cars with 110 hp. and less had more accidents than the higher-powered cars. And automobiles three years old and under had less accidents than older models. Vehicles over 10 years old, for example, were involved in nearly 2½ times as many accidents as new cars.

Rear lighting for trucks came in for a blast. Often, the report states, tail lights on trucks are too dim to be seen in time by overtaking traffic.

• **On the Highway**—Vehicles, however, aren't singled out as the sole cause of highway accidents. Driver experience, fatigue, drunkenness, and dope contribute their share to accidents. So do the thousands of miles of old and crossed highways.

Highway accidents, according to the report, are bound to increase, despite the fact that the death rate per million vehicle miles driven has been cut in half over the past 20 years.

Offsetting this is the increase in volume of traffic. Today, over three-fourths of the adult population are licensed drivers. Highway travel has more than doubled between 1940 and 1958 and is expected to increase another 70% by 1975.



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# In Business

• • •

## Two Big British Insurance Companies Talk Merger to Offset Losses in U. S.

Two big British insurance companies were driven to merger talks this week by their mounting losses on casualty policies written in the U.S. (BW—Apr. 4 '59, p. 79). The two—Commercial Union Assurance and North British & Mercantile Insurance—together do more than \$200-million in U.S. business. London sources say the deal would be among the biggest in British insurance history, creating an institution with assets of \$850-million.

About 6% of total U.S. casualty business is done by about 25 British companies, and insurance men say that many of them face the choice of merging for greater strength or getting out of the U.S. market. Commercial and North British believe that merger would bring them substantial operating economies.

• • •

## Colgate-Palmolive Plans to Invade Drug Field in Multiple Program

The giant soap and toilet goods company of Colgate-Palmolive Co. plans to diversify into the drug business. In the course of this year the company intends to get five non-prescription products into test markets. Eventually it wants to get into the ethical drug field probably by buying up smaller companies with established products.

Colgate-Palmolive's worldwide setup for marketing toiletries makes the drug field a natural target for its diversification, said Chmn. and Pres. Edward H. Little. He added that the company hadn't decided to go it alone until after exploratory talks for a partnership arrangement with major drug houses had come to nothing.

Last year Colgate-Palmolive had sales of \$534-million.

• • •

## High Court Says Companies Can't Elude Antitrust Indictments by Dissolving

The Supreme Court this week held unanimously that corporations indicted on Sherman Act antitrust charges cannot escape liability by being dissolved under state law while the case is pending.

The court upheld fines totaling \$18,500 on three subsidiaries of Schenley Industries, Inc., that were among the manufacturers and wholesalers accused of conspiring to fix prices on liquor shipped into Maryland by out-of-state companies. The Schenley subsidiaries were dissolved under Maryland and Delaware law after the indictment was filed and became separate divisions of a Schenley-owned company.

The companies argued that under state law the dis-

solutions wiped out the indictment, but the Supreme Court held that laws of both states "sufficiently continued the existence" of the corporations for purposes of Sherman Act prosecution.

The decision settles a frequent conflict in lower court rulings on Delaware corporations.

In other cases, the court held that:

- Personal loan companies are not exempt from the overtime and records-keeping provisions of the Fair Labor Standards Act as "retail or service" establishments.

- The federal law against paying or offering money to any "person" to "procure" a government job applies to a man who told a congressman he would pay \$1,000 a year to the Republican Party in exchange for the congressman's influence in making him postmaster of York, Pa.

• • •

## Sister Papers in Chicago to Live Together; Mechanical Moves First

The recent consolidation of Chicago newspaper ownership (BW—Feb. 28 '59, p. 56) will soon result in some centralization of facilities—with more to come eventually.

Mechanical production of the afternoon American, a Hearst outlet until it was purchased by the late Col. McCormick's morning Tribune in 1956, will shift about Aug. 1 to the Trib's plant. Sometime further in the future, American editorial and business departments will move, too.

Marshall Field, Jr., who early this year joined the afternoon Daily News to his morning Sun-Times, has similar plans. Studies are under way to transplant News press work to the new Sun-Times Building by fall, 1960, other functions later.

• • •

## Two-State Authority May Settle Old Fishery War on the Potomac

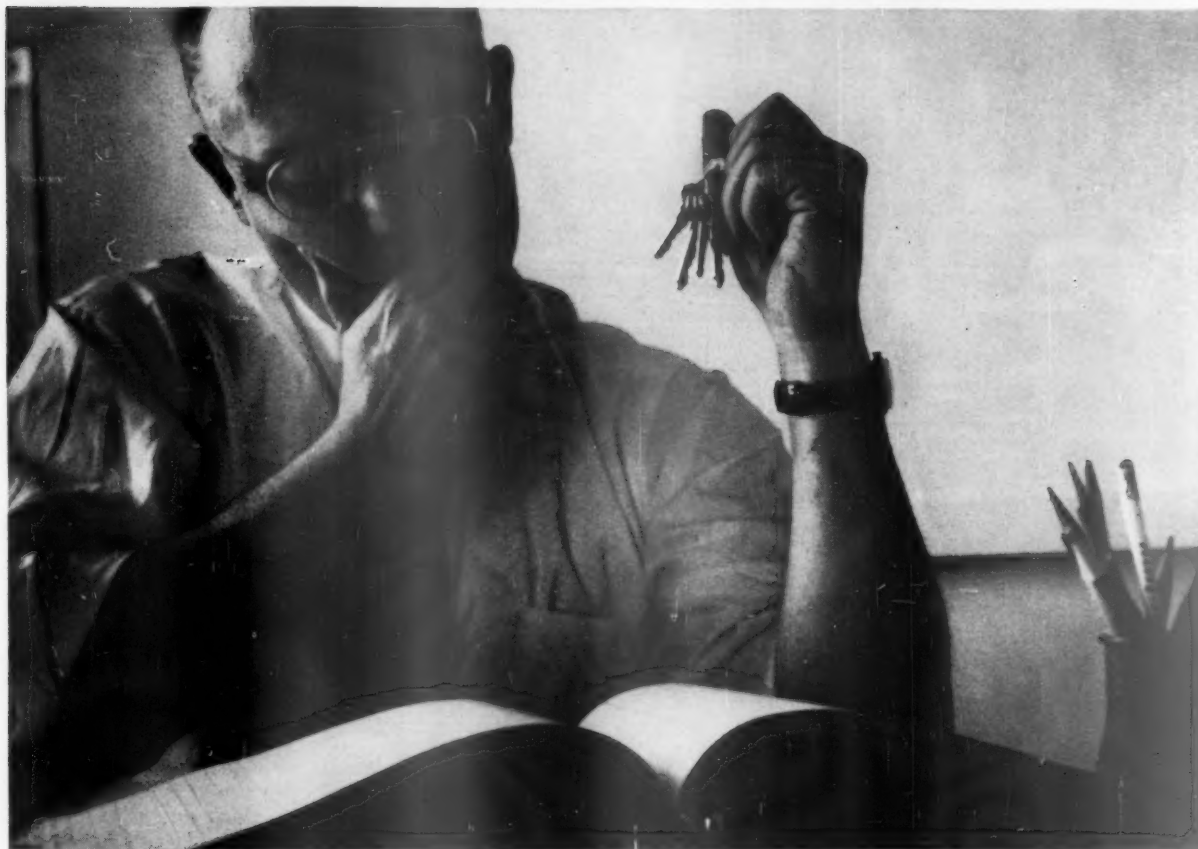
Less than a month after another fisherman was killed, the Maryland-Virginia oyster war (BW—Jan. 11 '58, p. 70) moved a step nearer its end. On Monday, Gov. J. Lindsay Almond of Virginia signed a new pact creating a Potomac River Commission under terms already approved by Maryland's legislature and Gov. J. Millard Tawes.

If Congress approves, each state will name three members of the commission, which will regulate fishing on the Potomac. It will take four votes to adopt a regulation and concurrent action of both legislatures to repeal one.

However, in an amendment reluctantly approved by the Virginia legislature rather than defeat the whole compromise, the pact forbids the commission to allow dredging of oysters without permission from both legislatures. This is the crux of the 150-year-old fight—Virginia oystermen insist on dredging; Maryland forbids it. And from colonial days, Maryland has owned the whole width of the Potomac.

On Mar. 31, a Virginia oysterman was fatally shot and another wounded in a chase by a Maryland patrol boat.

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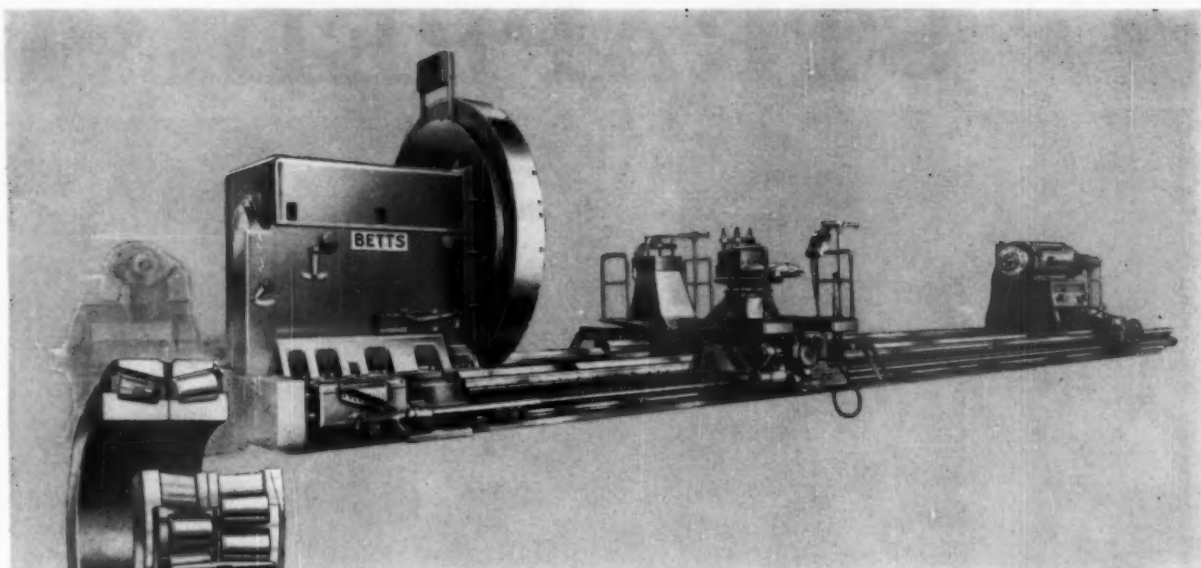
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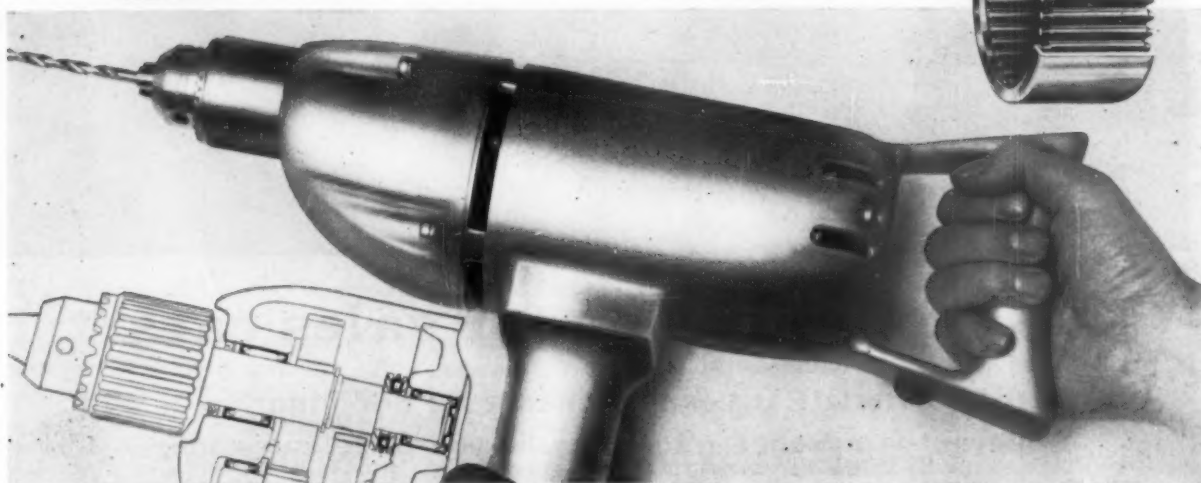


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# WASHINGTON OUTLOOK

WASHINGTON  
BUREAU  
APR. 25, 1959



**Let's take a fresh look at Pres. Eisenhower, just back from a vacation at Augusta. His critics are riding him hard, making much of the fact that he has only 20 months to go before his second term is finished. It's important to separate fact from fiction.**

**Fact No. 1 is that Eisenhower is taking on a bigger load.** The men who follow him closely—this includes newsmen and officials—generally agree that the President now is working harder than at any time during his Administration, which started in 1953.

**Fact No. 2 is the worry about his health.** Eisenhower, for many years, has had trouble taking pressure. He has a long record of responding to crises with physical upsets. It goes back to his war years, as a general. You remember the heart attack at Denver in 1955, the ileitis attack, and then, the slight stroke in 1957. Since then, Eisenhower's health has been good—almost a record for Eisenhower. But until recently, great efforts have been made by his associates to keep the strain of the office from the President.

**It's different now.** Think back a few months to see the change.

**Sherman Adams quit last fall.** Adams had sought for years to insulate the President from worry—"protect his health," even to the point of deciding who should see the President, what issues the President was handed.

**Eisenhower now makes more and more decisions.** His staff allows problems to come through to Eisenhower. They see that he gets information, and listens to more points of view.

**You see this in press conferences.** The President is much better informed on domestic as well as foreign issues. He talks with much more confidence, with less of the rambling around that had become a political joke.

**As for health, the President looks well.**

**He doesn't have a hard tan,** which might be expected from his vacation in the South. But he is refreshed. He may have picked up a little weight.

**His Augusta routine didn't provide all the rest his doctors wanted.** Eisenhower was up early—usually in his office by 7:30 or 7:45. After two or three hours of work, he would practice golf. After lunch, he shot a round, then played some bridge. After bridge, he would either go back to the office, or play more golf.

**His best score?** Scores aren't handed out. But the information we have is that his best round was close to 80.

**The Dulles resignation is a real jolt to Eisenhower.** He not only prized Dulles as a Secretary of State, but also as a close personal friend. The fact that Dulles didn't respond properly to cancer treatment shocked the President, who had hoped all the time for the best.

**Herter was Eisenhower's pick from the start.** Stories that the President was uncertain about his new Secretary of State were overdrawn—the delay in naming overplayed. It is a fact that Eisenhower suggested to Herter that he get a physical before taking on the new job. This was not due to reservations on Eisenhower's part, but merely concern for Herter in what is the toughest Cabinet post in this government.

# WASHINGTON OUTLOOK (Continued)

WASHINGTON  
BUREAU  
APR. 25, 1959

**Eisenhower will go to a summit conference.** He made this clear in his talks with British Prime Minister Macmillan. But Eisenhower wants a say in the timing. There are domestic issues that the President would like to have out of the way first.

**And he wants a time limit on the talks.** The implication of this is that Eisenhower fully realizes that the Russians might try to drag discussions out, while they make propaganda.

**At home, Eisenhower feels better about GOP Congressional leadership.**

**Dirksen of Illinois, in the Senate,** is a stalwart for the White House. Unlike the former GOP leader, Knowland of California, Dirksen follows Eisenhower policy on both domestic and foreign issues.

**Halleck of Indiana, in the House,** also is rated as having an edge over his predecessor, Joe Martin. Eisenhower men find it easier to do business with Halleck—they feel they can count on him.

**And Eisenhower is more available to GOP congressmen.** Even on the naming of men to federal jobs, the President is more willing to discuss candidates with politicians, despite his obvious feeling that men holding key jobs should be selected without partisan consideration.

**Eisenhower's new position surprises political experts.** They figured he'd be largely a figurehead his last two years in office because he's barred by law from succeeding himself. Cabinet members were expected to strike off for themselves. Nixon was pictured as ready to set up his own political kingdom. But it's still a united Administration, with Eisenhower in control.

**Nixon is doing a job for Eisenhower.** As chairman of the Cabinet committee to halt inflation, Nixon becomes the Administration's No. 1 economic policy spokesman. He takes the lead in warning the steel industry against inflation, refuses to blame unions for causing inflation, denies the Administration will intervene in collective bargaining. All this gives the Administration a consistent and powerful voice, and one that so far has always reflected Eisenhower's own views.

—•—

**The Housing Bill delay** isn't caused only by the conservatives on the House Rules Committee. It's true that conservatives still run this major committee. But the real holdup on the bill providing \$2-billion aid for housing grows out of the fact that leaders among the House Democrats, including Speaker Rayburn, are not anxious for a veto showdown with Eisenhower. Once the Democrats are sure they can water the bill down on the floor, they will get it out of committee.

—•—

**On so-called labor reform,** union leaders worry about what the House will do. They are fearful that the House will go far beyond the Senate in writing restraints on picketing and boycotts into the Kennedy-Ervin bill.

**House members are worried.** The unions have bragged publicly about how many members they helped get elected to the Democratic-controlled Congress in last November's voting. There are many members who accepted union financial support who wished the facts had never come out. When the House showdown comes through, the unions may not have the support they count on.



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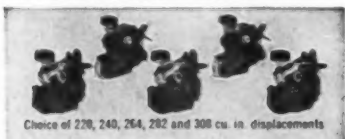


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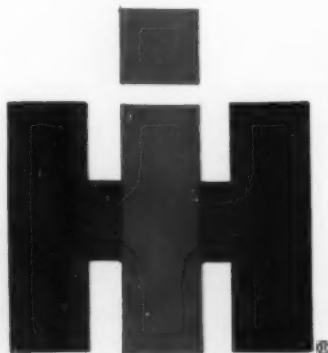
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## LABOR

# Unions' Drive Linked to Seaway

● On ship and shore throughout the Great Lakes, unions launched their biggest membership drive ever. They want to strengthen their foothold before the opening of the Seaway changes conditions.

● Next year is the target for a similar campaign along the Seaway itself. That figures to be the new waterway's first big year.

● There are two serious trouble spots: foreign flag operations on the Lakes, and jurisdictional feuds.

Behind schedule this spring, shipping is finally coming to life this week on the Great Lakes and the St. Lawrence Seaway. And, as the huge ore boats began pushing through the last ice cakes in Lake Superior and ocean freighters began threading their way through the Seaway for the first time (BW—Apr. 11 '59, p98), something else was coming to life on America's fourth coast line: the biggest union membership drive ever launched on the Great Lakes.

So far, the recruiting campaign is confined to the lake ports. Unions foresee that the Seaway will also generate shore jobs along both sides of the chain of river and canals. But their current push is to organize all the men aboard ship and in the lake ports where the Seaway's first effects will be felt.

A broader push to extend down the river from the Lakes is at least a year away. James R. Hoffa, pugnacious boss of the powerful, 1.4-million-member International Brotherhood of Teamsters, isn't alone in believing that 1960 will be the Seaway's first big year. That will be the target year for union organization aimed specifically at Seaway-created jobs.

### I. Lakes Drive

Meanwhile, the seeds of future Seaway labor troubles are already germinating in the Great Lakes organizing drive.

Behind the effort is the Maritime Trades Dept. of the AFL-CIO. This is made up of 16 unions in all, but the principal activity is being generated by four—the Seafarers' International Union, the Marine Engineers' Beneficial Assn., the International Organization of Masters, Mates & Pilots, and the International Brotherhood of Longshoremen. Their immediate target is upward of 5,000 men on 150 or more

ships, plus the Lakes dock workers.

• **Anticipating Trouble**—In the opening of the Seaway, the unions see a danger from an increasing number of foreign flag carriers plying the Lakes. Some of these ships are non-union, with wages and benefits lower than those of Lake seamen. This could lead to a lowering of standards, the union people argue.

Then, too, there will be the temptation for Lake ship companies to switch registry to foreign flags if they begin to lose business to the lower-cost foreign carriers. The unions say they are not "worried"; if any Lake ships switch, the MTD unions simply will tie them up. But it may not be so easy.

These effects are, of course, problematical. No one knows for sure what the long-run picture will be. But the unions have a standard answer: A stronger organization will give them more say in any problems resulting from the opening of the Seaway. Job security and representation, says Al Tanner, MTD coordinator for the Great Lakes, are "of major importance" because of the uncertainty of the effects that the St. Lawrence Seaway opening will have.

• **Ship Owners**—However, more than the Seaway complicates the MTD's organizing problem. Contracts are written with ship owners. When a ship is sold—not an infrequent occurrence on the Lakes—the new owner is not obliged to use the same crew. If the new owner doesn't have a union contract, he can put a non-union crew aboard. Obviously, from a union standpoint, the best defense against this is solid organization of all maritime workers.

The SIU today claims contracts with 25 companies covering about 90 ships. There are eight companies with about 78 ships on the Lakes that are not organized. Included are 32 ships of the Interlake Steamship Co., second largest fleet on the Lakes, which is owned by

Pickands-Mather, Cleveland mine management company. The rest of the ships have independent unions, the largest of which is the Lakes Sailors Union, with 34 ships of three companies.

The biggest fleet on the Lakes is out of bounds for MTD. It is the 100-ship Pittsburgh Steamship Co. fleet, a subsidiary of the U. S. Steel Corp., manned by members of the United Steelworkers. The Steelworkers also man the ships of Bethlehem and Republic. The National Maritime Union, with its strength primarily concentrated on ocean ships, represents the men aboard 20 other ships, mostly lake-going tankers.

### II. Seaway Sparring

The MTD Great Lakes drive is already deep into what may be the typical St. Lawrence Seaway hassle of the future, a rousing jurisdiction squabble.

The SIU has filed for a National Labor Relations Board representation election for eight ships owned by Bradley Transportation Corp. This pits the SIU against John L. Lewis' United Mine Workers District 50, which has a contract with Bradley.

• **Jurisdiction**—One major and much-heralded fight may never take place, however. Many observers believed that the opening of the Seaway would signal an all-out jurisdictional war between the International Longshoremen's Assn., ousted from the AFL on charges of racketeering, and the IBL, which is well entrenched on the U. S. side of the Seaway. The Teamsters were pledged to back the ILA.

The war clouds were dissipated when ILA petitioned the AFL-CIO for readmission. The two unions reportedly have discussed the possibilities of a merger. Under these circumstances, ILA isn't likely to launch a raid on IBL strongholds, nor will the IBL open any attacks on ILA locals on the Canadian side of the waterway.

• **Teamsters on Docks**—At the moment, IBL is merely standing by, ready and willing to organize longshoremen on jobs created by the Seaway as they turn up. But the presence of the Teamsters on the docks makes for a certain potential explosiveness.

The dock workers along the Detroit waterfront, for example, are "90% our men," according to the Teamsters. This is one sore spot for the IBL and a constant reminder that the Teamsters can expand their jurisdiction in the direction of the docks. But what the Teamsters do may depend upon the

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size—and, therefore, attractiveness—of the potential memberships along the waterfront.

• **Potential**—On this you get conflicting estimates. Maxim M. Cohen, Chicago regional port director, says, "the big boom is quite a way off and is greatly exaggerated." He believes that not too many additional employees will be needed to meet Seaway expansion because the facilities will be "largely mechanized." Principal lake cargoes—coal, ore, and grain—are carried in bulk and require very few longshore workers.

But Kevin Levin, executive vice-president and general manager of Calumet Harbor Terminals, Inc., one of the largest warehousing companies in the Seaway area, forecasts a "tremendous increase in the number of longshoremen who may be required."

Large numbers could be tempting to the Teamsters and cause a tussle for power along the Seaway between the truckers' union and AFL-CIO affiliates. Levin, for one, doesn't believe the Teamsters will cause any conflict, but, on the other hand, most observers aren't so sanguine.

• **Canadian Donnybrook**—North of the border, Canadians are alarmed at the possibility of an all-out war among the unions for control of St. Lawrence Seaway labor. Sparring over new members is already taking place between the all-Canadian Brotherhood of Railway Transport & General Workers Union and the Seafarers. The two unions tangled in a preliminary bout over some 900 canal and lock workers on the Lachine and Welland Canals.

The CBRTGWU and SIU fight could widen into a full-scale Canadian Donnybrook over Seaway workers. The CBRTGWU has incurred the wrath of the Teamsters by organizing a truck company in Toronto. It earlier antagonized the SIU by organizing ferryboat crews along the coastal waters of Canada.

All these unions are affiliates of the Canadian Labor Congress, which takes a hard line on jurisdictional fights and may intervene to prevent one over jobs created by Seaway expansion. Until it acts, however, CBRTGWU is likely to contest the SIU, the Teamsters, and the ILA along the Canadian side of the Seaway.

Despite the jurisdictional squabbles, however, the Seaway ultimately is expected to make the Longshoremen stronger and the Teamsters bigger. In addition, the railroad unions will pick up some members. So will the Boiler-makers, Iron Ship Builders, and Blacksmiths, who will repair salt water vessels; the Operating Engineers, who run cranes and derricks; and the Grain Millers in charge of the elevators. **END**



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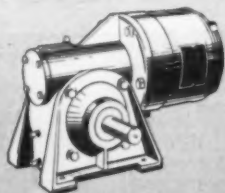
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## Violence Lingers in Kentucky

Two deaths underline seriousness of dispute between **UMW** and the operators of small "truck" coal mines paying substandard wages and no welfare fund royalties.

Kentucky National Guardsmen returned to their homes early this week after a three-day alert in the eastern Kentucky coalfields—but, because of the explosive tension, the possibility of martial law still hung over the area.

Gov. A. B. Chandler ordered the Guard mobilized a week ago after a new outbreak of violence—and a second death—in fields where the United Mine Workers and the mine operators are in a grim contract deadlock. The governor denounced "hotheads on both sides" for the troubles leading up to "useless and senseless deaths." If necessary, he said, the state would send 6,000 troops into the coalfields to restore order.

Early this week, after consultations with the union and employer spokesmen, the governor sent the guardsmen home. He served notice that they would be remobilized and sent to the mines if there are further eruptions of violence.

• **Governor Is Hopeful**—Meanwhile, **UMW** representatives from Washington, local officials, and mine operators were called to confer at the state capital. Gov. Chandler said he "hoped" the presence of the national union officials—who have the power to amend national contract terms—might lead to an early settlement.

Few, apparently, share the governor's hope. The dispute between the **UMW** and mine operators is now in its fifth week. There is a growing anger, leading to a fear that a pro-

tracted stalemate may be a bloody one.

Already, sporadic gunfire and explosions have echoed through the hills. Both strikers and non-strikers are carrying guns. A machine gun has been set up, menacingly, at one non-union mine. Extra men with shotguns or revolvers are riding trucks hauling non-union coal; they have warned that they'll shoot first, then ask questions.

Coal ramps and tipples have been dynamited, with damages in the hundreds of thousands of dollars. Truckloads of coal have been waylaid, wrecked, and dumped. A number of men have been badly beaten. Several have been shot, two fatally.

• **Broken Truce**—Two weeks ago, Gov. Chandler prevailed on the union and operators to sign a strike peace pact, agreeing to disarm and limit pickets in order to avoid violence. The shotguns did not disappear. An uneasy truce broke quickly. Violence erupted again.

The outbreaks so far have occurred principally in Perry and Fletcher Counties, where all but three of the 15 non-union coal ramps continue to operate each day, under guard. Until a week ago, coal trains had been unable to move coal out of these counties because railroad crews were observing **UMW** picket lines. After a federal court issued a restraining order against the pickets at the request of the Louisville & Nashville RR, coal trains moved again, breaking a tieup of more than 100 loaded gondola cars in the Hazard area alone.

• **Small Operations**—The present strife



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in the coalfields centers around the hundreds of small truck operations in eastern Kentucky. These mines employ anywhere from two or three men to 100 or more, altogether hire about 60% of all the miners now employed in the area. They produce 50% of eastern Kentucky's coal, can sell it more cheaply than UMW-contract mines.

With a few exceptions, the coal mined is trucked to central ramps where it is sold, from the trucks, for processing and resale.

• **Low Wages**—The truck mines can operate only because of a surplus of miners. The recession and the steady decline in mine jobs over the past decade have left a pool of jobless miners who are willing to work for half—or less—the wage scale set by UMW contracts. Many of the truck mine operators pay \$10 to \$12 a day instead of the \$24.25 provided by UMW contracts; some pay as little as \$5 to \$6 a day, but seldom have to shut down for lack of miners. Additionally, the truck mines do not pay the contract-required 40¢-a-ton welfare-fund royalty on coal mined. So savings in labor costs are substantial.

The miners, on the other hand, can work only when the truck operations are open; they earn less than they would under UMW terms, but they make a bare living they wouldn't be earning

otherwise. As a result, they are on the side of the operators, armed and ready and willing to shoot for their right to work for non-union pay.

• **Reasons for Uproar**—Since the truck mines have been running for a decade, about as now, why the furor this year?

In the past, operators usually have signed contracts with UMW and cared little about openly violating the wage and royalty terms. The mine union has tried to crack down, but it hasn't had more than local—and temporary—successes.

The present UMW contract is the first with real teeth that could hurt the eastern Kentucky operators. Among other things, it specifies that ramp operators must certify every 120 days that they have bought coal only from mines paying union wages. If they fail to do so, the coal market may be closed to them by union pressure on their customers, committed to buy only union coal.

The ramp operators say they can't sign a contract requiring truck mines to pay union rates—the truck mines couldn't survive. The small operators put it even more bluntly; they say that if they are forced to meet UMW wage terms, they'll shut down, and 46,000 persons in eastern Kentucky will lose their livelihood.

## Urge U.S. Act on Jobless Pay

Unions renew demand that federal government set minimum standards for the states. Legislatures, they say, are moving too slowly. Here's what states have done in '59.

Labor this week increased its pressure on Congress for "sweeping reforms" in the federal-state unemployment compensation system. The unions called again for approval of the Kennedy-Karsten-Machrowicz bill, which would set minimum standards for the states' jobless-aid programs.

"Exhortations to the states" to make voluntary improvements in unemployment compensation plans have had little effect, AFL-CIO's Pres. George Meany told the House Ways & Means Committee. The federal government, he said, should act to require:

• **Maximum weekly jobless benefits** equal to at least two-thirds of the average weekly wage in each state, and a minimum of at least one-half the average weekly wage.

• **A uniform 39-week duration** of payments in all states.

These are the basic provisions of the Kennedy-Karsten-Machrowicz bill.

• **States Slow to Act**—Although the Administration earlier this year urged states to take the responsibility for

"liberalizing" unemployment compensation programs, only 14 of 46 state legislatures in session this year have acted on jobless pay benefits. Twelve states increased unemployment compensation levels; 12 extended the duration of payments.

"In each instance, improvements failed to achieve the objectives urged by the President," Meany told the House committee. "Small benefit gains are accompanied by greater restrictions in other parts of the law."

• **Management View**—The AFL-CIO president criticized management spokesmen for appearing before Congressional committees to testify that the states "can, should, and would do something" about improving jobless aid programs—then appearing before state legislative committees to oppose state action because of "the national character of unemployment."

A representative for the U.S. Chamber of Commerce told the committee his organization opposes federal standards that would "make a complete

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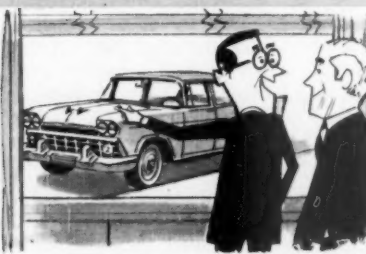
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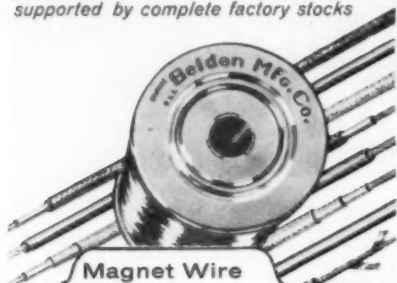
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shambles of the soundly-operated" state unemployment compensation programs. The National Assn. of Manufacturers similarly opposed the Kennedy-Karsten-Machrowicz bill.

Other management spokesmen cautioned against it as an "invasion of states' rights," because it would "rob the states of their responsibility and prerogative" for tailoring unemployment compensation to their special needs and particular conditions.

• **Near Socialism**—Meany's testimony for federal standards brought on an attack by Rep. Bruce Alger (R-Tex.), who said that he can't see much difference between labor's jobless pay position and "honest-to-goodness socialism." He's as interested as anyone in helping unemployed needy, Alger said heatedly, but he objects to any action that might "subsidize goldbricks or those who want to sit in their rockers."

• **Up to the States**—Generally, the Kennedy-Karsten-Machrowicz bill is considered to have little chance this session. Southern Democrats and many Republicans are joining forces against it. So, as before, unemployment compensation changes will depend on state action.

Here is a run-down on 1959 money and time changes by legislatures:

**Arkansas**—Benefits have been increased from \$26 to \$30, the duration of payments from 18 to 26 weeks.

**Colorado**—The maximum payable has been raised from \$35 a week to 50% of average weekly wages in selected industries; the duration, from 26 weeks to 32½ weeks.

**Idaho**—The duration has been extended from 26 to 39 weeks for periods when unemployment reaches a certain specified level.

**Illinois**—The legislature adopted a similar provisional extension of the duration of benefits, to 39 weeks.

**Indiana**—The maximum was increased from \$33 to \$36, the duration from 20 to 26 weeks.

**Kansas**—The legislature removed a \$34 limitation on benefits, authorized the payment of 50% of the average weekly wage in the state; it lengthened the duration of benefits from 20 to 26 weeks.

**New Hampshire**—The maximum benefit payable was boosted from \$32 to \$38 a week.

**New Mexico**—Payments were increased from \$30 a week to \$36, the duration from 24 to 30 weeks.

**North Dakota**—Benefits were hiked from \$26 to \$32, the duration from 20 to 24 weeks. Dependency allowances were eliminated.

**South Dakota**—Benefits were raised from \$28 to \$33, the term from 20 to 24 weeks.

**Tennessee**—The maximum will be increased in two steps: It goes up now

from \$30 to \$32 a week, and on July 1, 1960, it will be increased again to between \$36 a week and a maximum of 50% of the state average weekly wage.

**Utah**—The duration of benefits was increased from 26 to 36 weeks.

**Vermont**—Benefits were increased from \$28 to \$36, the duration from 26 to 39 weeks, subject to an unemployment level stipulation.

**Washington**—Payments were increased from \$35 to \$42 a week, the duration from 26 to 40 weeks.

The Montana legislature adopted a bill that would have increased benefits from \$32 to \$34 a week and the duration from 22 to 24 weeks, but Gov. J. Hugo Aronson (R.) vetoed it. In Maryland, the legislature rejected a bill to increase benefits.

The New York legislature broadened the coverage of the state's unemployment compensation law but did not change the amount payable or the duration.

## Steel Talks to Open Early; Hope Still Dim

Steel contract negotiations will open in New York two weeks earlier than originally scheduled, on May 5 instead of May 18. But, with the parties still far apart, even the earlier start does little to strengthen hopes of a settlement before the deadline on June 30.

The wage policy committee of the United Steelworkers will meet in New York next week to draft demands covering 500,000 workers in plants producing an estimated 90% of the nation's steel.

In other bargaining developments:

• A long strike by the United Auto Workers against Allis-Chalmers Mfg. Co. ended in a privately mediated agreement, largely on hotly controversial local issues.

• The Goodyear Tire & Rubber Co. and the United Rubber Workers reached a contract agreement calling for "improvements" in pension, insurance, supplemental unemployment benefit, and other contract provisions. The agreement covered 23,000 workers in 11 Goodyear plants. At midweek, its terms were being studied as a possible formula for ending strikes of 59,000 URW workers at Goodrich, Firestone, and U. S. Rubber Co. plants.

• In North Carolina, a settlement of a 23-week walkout by the Textile Workers Union of America against the Harriet-Henderson Cotton Mills apparently collapsed—and there was new violence—in a dispute over the reemployment of strikers. This has been one of the "violent" strikes on front pages of newspapers. **END**

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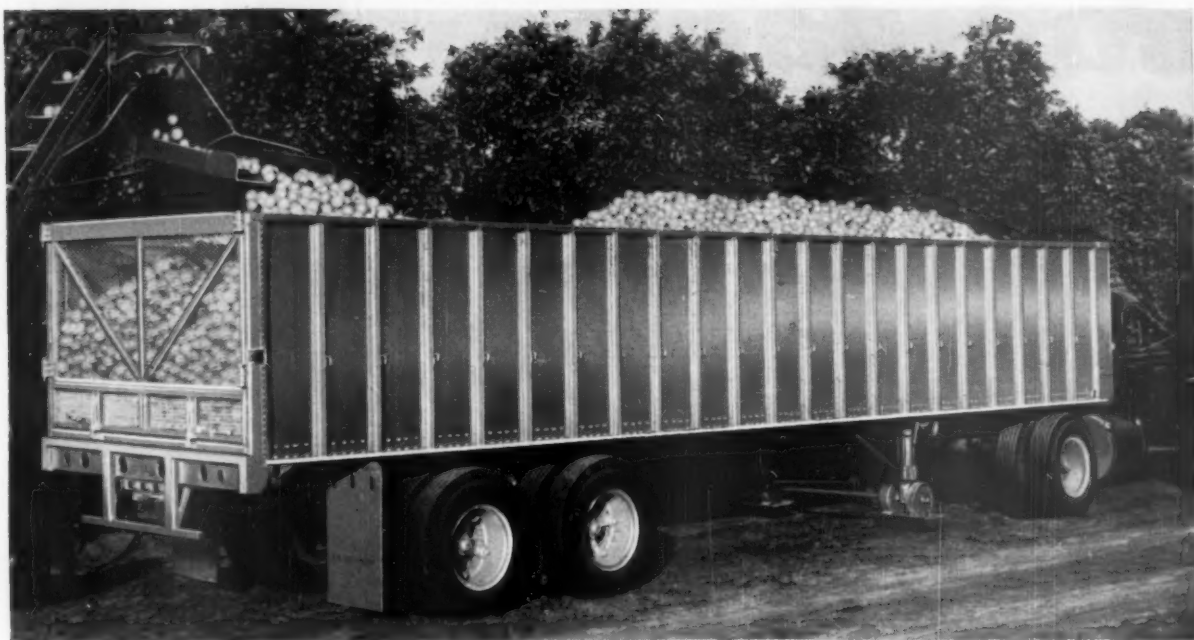
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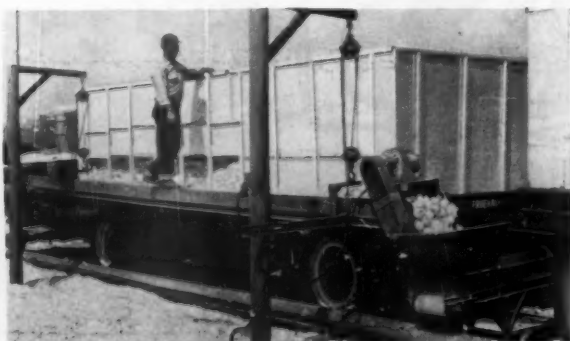
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• • •

## Cost of Living: What's Happening to It

	Total Cost of Living	1947-49 = 100			
		Food	Clothing	Housing Total	Rent Only
March, 1951	110.3	112.0	106.2	111.7	111.9
March, 1952	112.4	112.7	106.4	114.0	116.7
March, 1953	113.6	111.7	104.7	116.8	121.7
March, 1954	114.8	112.1	104.3	119.0	128.0
March, 1955	114.3	110.8	103.2	119.6	130.0
March, 1956	114.7	109.0	104.8	120.7	131.6
March, 1957	118.9	113.2	106.8	124.9	134.4
March, 1958	123.3	120.8	106.8	127.5	137.1
April	123.5	121.6	106.7	127.7	137.3
May	123.6	121.6	106.7	127.8	137.5
June	123.7	121.6	106.7	127.8	137.7
July	123.9	121.7	106.7	127.7	137.8
August	123.7	120.7	106.6	127.9	138.1
September	123.7	120.3	107.1	127.9	138.2
October	123.7	119.7	107.3	127.9	138.3
November	123.9	119.4	107.7	128.0	138.4
December	123.7	118.7	107.5	128.2	138.7
January, 1959	123.8	119.0	106.7	128.2	138.8
February	123.7	118.2	106.7	128.5	139.0
March, 1959	123.7	117.1	107.0	128.7	139.1

Data: Dept. of Labor, Bureau of Labor Statistics.

©BUSINESS WEEK

## C-of-L Index Steady at Mid-March As Cheaper Food Offsets Other Rises

The government's cost-of-living index remained steady at 123.7% of average 1947-49 prices in mid-March, with a sharp drop in food costs (table) offsetting small rises in clothing, housing, and other index factors.

The latest c-of-l figure underscores the comparative stability of the index. A year ago, it took a big jump to a mid-March level of 123.3%, then rose fractionally to a 123.7% reading in June. It has fluctuated between that level and 123.9% for nine months. In six of the nine, the index stood at 123.7%.

Wages of more than a million workers under escalator contracts are hinged to the March index, for either semi-annual or quarterly adjustments of pay to the cost of living. Since the current CLI matches the 123.7% last August and December, no pay adjustments are due for railroad, General Electric and Sylvania, aircraft, or other covered workers.

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## Rail Unions Retort to Roads' Claims That Work Rules Cause Featherbedding

Railroad contract bargaining is still half a year away, but controversy already is building up over a key issue: work rules. Carriers criticize these as "featherbedding" provisions that cost the industry more than \$500-million a year for unnecessary employment. Unions dispute this.

The Railway Labor Executives Assn., which represents 23 rail unions, last week questioned that the work rules cost roads "anything like \$500-million" a year. Moreover, said the RLA from Chicago:

• The roads' contention that the dieselization of locomotives "makes the fireman position obsolete" doesn't recognize that the fireman's function is "essential to safe and efficient operation of trains."

Canadian roads have begun a gradual elimination of firemen under a Dominion ruling that firemen are now unnecessary. Canadian rail unions, linked with those in the U.S., have struck twice in 27 months on the issue, are talking of another over the "barren and unacceptable" order making firemen redundant.

The talk is believed to be aimed at U.S. carriers—to weaken the unfavorable precedent of the elimination of firemen in Canada when the issue arises this summer in the U.S.

• "Modernization" of the carriers' system of basing wages on hours worked and miles traveled would "certainly bring increases in pay for rail employees."

The carriers complain that railroad workers are paid on a formula worked out 40 years ago, based on a speed of 12½ mph. for a freight train, 20 mph. for passenger service; they contend that "virtually all financial benefits of faster, streamlined service" have been siphoned off by the commitment to the "outmoded" day-pay rule.

The unions retort that, however figured, rail wages are lagging behind those in other industries.

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## Court Bars State Damage Awards Against Unions for Peaceful Picketing

The U.S. Supreme Court this week handed down a "landmark" decision on federal vs. state jurisdiction over labor disputes; it ruled that the Taft-Hartley Act bars state courts from ordering damages against a union for peaceful picketing.

The ruling is the second by the high court in a lengthy legal dispute between building trades unions and a San Diego lumber company. The unions picketed in 1952, seeking a union security clause. The NLRB refused to take jurisdiction. State courts, interpreting federal and state laws, enjoined the picketing, ruling that it had an illegal purpose. The unions were fined \$1,000.

In 1957, the Supreme Court held that the refusal of NLRB to assert jurisdiction did not leave the state free to enjoin the picketing. The question of damages was left open and the California courts reaffirmed the fine.

Now the court has ruled that since NLRB—which has primary jurisdiction over labor disputes—has not decided whether the picketing was legal or illegal under Taft-Hartley, the state cannot award punitive damages.

Justice Felix Frankfurter distinguished the San Diego case from other recent rulings, in which the court upheld state court injunctions and damages: Such cases, he said, uphold the right of states to deal with violence and imminent threats; but "there is no such compelling state interest" in dealing with peaceful picketing.

Though the court unanimously reversed California's imposition of money damages, it split 5-4 in setting the precedent that states may act against violent conduct which is illegal under Taft-Hartley, but cannot act at all against peaceful conduct—whether it is legal or illegal and whether or not the NLRB has asserted its jurisdiction in the matter.



**BOOKSTORE** owned and run by Augustus M. Kelley includes over 40,000 economics books ranging from rare first editions to offset copies of old manuscripts and tracts.

## Mr. Kelley

**He's had fun ever since he threw up his job for the specialized trade in old economics books.**

A Chicago advertising man once stopped dictating in the middle of a sentence, walked out of the office, and never came back. He became famous as Sherwood Anderson, the novelist.

Something of the kind happened to Augustus M. Kelley (pictures). Before World War II, Kelley was an economist at the National Bureau of Economic Research where, he says, "I did what all the other slaves did—I worked at an adding machine."

Kelley was discharged from the Army in 1945. He returned to the Bureau for a few months, then walked out when he was 33 years old, to pursue his passion for the collection and preservation of old economics books.

• **Economist's Friend**—Today, after more than 12 years of pleasantly disorganized labor, Kelley is not famous, except among a rather small fraternity of economics bibliophiles. But he is known as a man with a talent for sniffing out, in bookstores around the U.S. and Western Europe, items such as John Weyland's *A Short Inquiry into the Policy, Humanity and Past Effects of the Poor Laws* (London, 1807), Chauncey Thomas' *The Crystal Button*, and *Adventures of Paul Prognosis in the Forty-Ninth Century* (Boston, 1891).

Kelley couldn't bear to see many of the old books and pamphlets disappear from circulation. So he also became a publisher. At first, he used to farm the reprinting work out to regular printers. Now, amid the jumble of old books, documents, and invoices at the bookstore he occupies at 400 West 23rd St. in New York, Kelley does his own printing.

He uses a number of fonts of Goudy Old-Style and Caslon Old-Style type, a hand press, a folding machine, and Multilith machine to make offset copies of old books and manuscripts. He sends the pages out to a bookbinder.

• **On the Press**—Right now, Kelley, all by himself, is slowly reprinting *Notes on Political Economy* (Charleston, 1826) by J. N. Cardozo, an ancestor of the late Supreme Court Justice Benjamin Cardozo. Kelley will be reproducing 500 copies of the 170-page Cardozo book for an out-of-pocket cost of about \$600, not counting his own labor or overhead costs. At \$6 per copy (\$4.50 for prepublication orders), the edition will probably go out to economists and libraries throughout the

# Likes Economists—Dead or Alive

world in the course of the next couple of years.

Five hundred copies sound like a pretty small edition, but it's probably no smaller than the original editions. Kelley has no idea how many were printed in 1826, but he thinks the Cardozo he is reprinting is probably the last one left. Kelley borrowed it from the New York Public Library, which let him take it apart, page by page, for reproduction.

By comparison, it is known that the first American edition of David Ricardo's celebrated *Principles* numbered only 500 copies of which congressmen subscribed for 200 copies because Thomas Jefferson urged them to. The first American edition of Ricardo was published by Milligan's Bookstore in Georgetown in 1819.

• **Heritage**—Kelley comes by his passion for antique economics literature both by education—at Harvard, Chi-

cago, and Columbia Universities—and by lineage. His great grandfather was William D. "Pig Iron" Kelley, a radical Republican and Protectionist who served in Congress in the 1860s and 1870s. His grandmother, Florence Kelley, was appointed by Gov. John Peter Altgeld, the reformer, as Illinois' first Labor Commissioner. On his mother's side, Kelley is related to the Mavericks of Texas. His father, Nicholas Kelley was an Assistant Secretary of the Treasury under Pres. Woodrow Wilson and was general counsel and vice-president of Chrysler Motor Co. until he retired a couple of years ago.

• **First Link**—But Kelley has always been more of a Maverick. When he walked away from the National Bureau in 1946, a stroke of luck linked his fortunes with the greatest English line of economics bibliophiles—a line that goes back to the mid-19th Century economist, William Stanley Jevons

whom John Maynard Keynes described as "the first of the distinguished tribe of economics bibliomaniacs who have contrived to set a fashion among librarians which has entitled the booksellers to run the obscurest fragments of economic literature up to fancy figures."

Jevons passed on his bug to the man who was to become the most rabid collector of all, Prof. H. S. Foxwell of the University of London. Foxwell acquired vast numbers of economics classics and pamphlets by running up tremendous overdrafts at his bank. Four times, Foxwell's bank cracked down on him, and each time he had to sell his collection and start building it up again. Foxwell's collecting was the foundation of the great English economics bookstores, Harding's and Kashnor's Museum Book Store. Both still survive, but Kashnor's is more of a museum than a bookstore. (The late Mr. Kashnor's daughter, says Kelley,

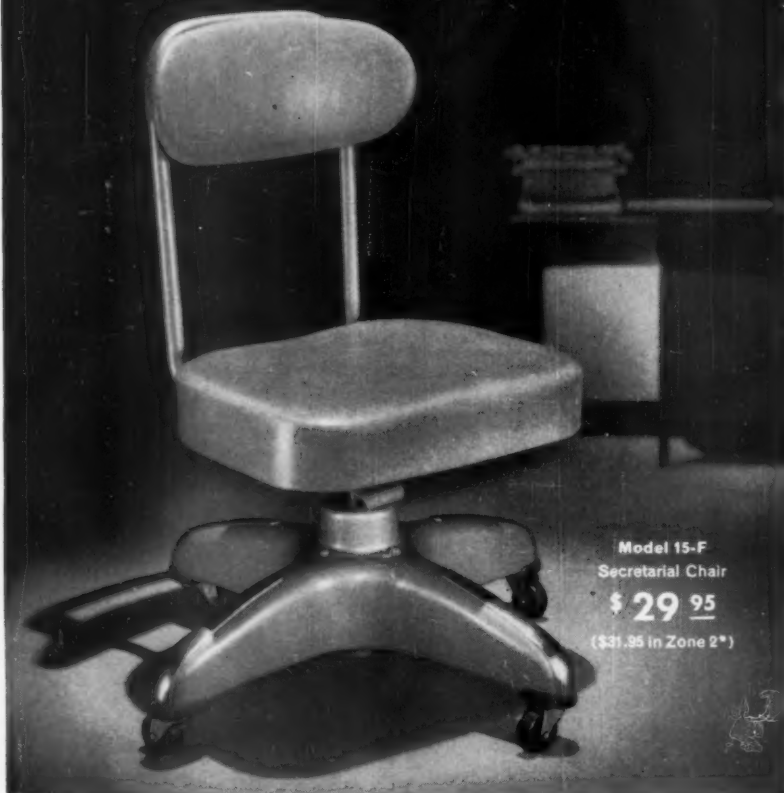


**REPRINTS** of out-of-print classics, run off on a Multith machine, account for about 40% of Kelley's sales.

**OLD TOMES** like the Austrian book on economics that Kelley is holding add up to a \$50,000 business.



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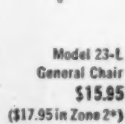
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opens the store most days and sits there in a back room but refuses to part with very many of the books.)

• **Harvard Treasure**—One of Foxwell's collections was purchased by Harvard's Prof. Allyn A. Young for the B-School's Baker Library, for \$200,000. That's how the Jevons-Foxwell-Kelley link was established.

For when Kelley walked out of the National Bureau, he learned that Harvard had a sizable number of ancient economics works to dispose of—these were the tail end of the Foxwell collection, of which Harvard had duplicates. Kelley went to Cambridge to see what was left—and found that what Harvard considered the tail end contained "every rare book in economics you ever heard of, nearly 4,000 of them altogether." Dr. Arthur H. Cole, then Baker librarian, asked Kelley how much he would give for them. Kelley, who was almost broke, bid \$2,000. Cole said, "Make it \$2,500." Kelley agreed, and Cole said, "Sold." Kelley said, "When do I have to pay for them?" and Cole replied, "Whenever you feel like it." So Kelley was in business.

• **Ups and Downs**—The business has had its ups and downs. In 1954, Kelley took a partner, Sidney Millman. Last winter, the partners fell out, and the name reverted to M. Kelley, Bookseller & Publisher.

Kelley normally grosses about \$50,000 a year, of which about 40% comes from reprints he brings out, the remainder from bookselling. But Kelley figures that his stock of old books—which now number about 40,000 and fill two floors—ought to be worth something, one of these days.

"Well, it's hardly a business at all in the modern high-powered sense," says Kelley. "I seem to march backward in time." Kelley's customers include well-known economists, such as Arthur F. Burns and Sen. Paul Douglas, many foreign scholars and librarians. He supplies a few businessmen-collectors, including one Toronto industrialist, who likes to bargain with him by long-distance telephone.

"I've made my million dollars," the Canadian businessman told Kelley recently; "so now I'm trying to find out how I did it."

Economics bibliomaniacs collect old tracts mainly because of their fascination with the way economics ideas first took form and were shaped in debate over the years. Few of the leading collectors are in it for the money or for the glamor of first editions. Most of the 18th and early 19th Century items on Kelley's list sell for between \$5 and \$30. A few range higher—for instance, a three-volume work called *The State of The Poor* by Frederick M. Eden, published in 1797, is listed at \$97.50. A first edition of Marx's *Das*



Architects: Perkins & Will, Chicago, Ill.; General Contractor: A. L. Jackson Company, Chicago, Ill.; Curtain Wall Fabricator: General Bronze Corp., New York, N. Y.; Panel Fabricator: Ingram-Richardson Mfg. Co., Beaver Falls, Pa.

## How's this for a corporate image?

A public relations man once told a company official, "You can't paint a good corporate image on a shabby canvas." They were talking about an important part of the company's new-look campaign—a new office building. They knew that a modern, attractive building bespeaks a dynamic company.

That's one reason why the Mutual Trust Life Insurance Company likes its steel curtain wall building in Chicago. It not only looks good to the public—it's proof of the company's modern, progressive thinking.

A steel curtain wall building has hundreds of extra feet of floor space because the steel walls are so thin. Curtain wall buildings go up fast, so labor costs are low and the building can be occupied quickly. There are hardly any maintenance costs because all you have to do with the Stainless Steel gridwork and porcelain-enameled steel panels is wash them off with water. A steel curtain wall building *always* looks new.

Ask your architect about steel curtain walls—specify USS Vitrenamel for porcelain-enameled panels and USS Stainless Steel for mullions, windows or panels. United States Steel, 525 William Penn Place, Pittsburgh 30, Pa.

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moving van is headed up by a far-striding Mack highway tractor. And after moving-in day . . . Mack dependability will continue to serve the household. They'll be supplied by Mack trucks that haul products and produce to the local stores; they'll be transported by Mack buses and safeguarded by Mack fire engines.

Let Mack users tell you how they get

# Solid Savings On Workaday Jobs



Mack truck users will tell you that Mack economy is a two-stage affair.

Stage one is during the years your Mack is new. Built to higher standards than any other truck in the U.S.A., these cost-busters trim your outlays for upkeep, fuel and parts.

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Yes, check any Mack user—big or small—in any hauling field. He'll tell you that Mack dependability and extended

earning life are the factors that hold down his costs . . . run up his profits. Your Mack branch or distributor will gladly list the Mack users in your locality.

*Here's what one Mack user will tell you:*

"Our Macks' steady performance and constant availability allow us to get along with fewer trucks—a big saving. Macks stay in top condition for years with only routine attention—again we save money." *This is a statement by the construction company that holds the national record for highway paving: 6,029 lineal feet of concrete slab, 9" thick by 24' wide, in a single day. Name and full facts on request.*

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*painting by John Falter*

*Convenient shopping facilities and pleasant living conditions combine to make Cass City worthy of its name as "The Hub of the Thumb."*

Cass City is a community confident of its future. It's made up of self-reliant people, characterized by a pervasive spirit of friendliness and cooperation. There is an enterprise which is going to result in the formulation and adoption of a comprehensive development plan for the city's future growth. No detail will be missing.

Concurrently, by action of the Cass City Industrial Corporation, an industrial district is in use now. It has attracted new industry that has already created 400 additional jobs in a community of 2,000. Successful area planning, thriving

new businesses . . . those are twin recommendations worthy of investigation by any firm seeking a new home. In Cass City, business can know today exactly what kind of a community will be its home twenty years from now.

Cass City offers more: comfortable homes, fine schools, complete municipal services, low taxes and superior recreational facilities. It has planned and acted to help industry prosper in its midst. It is ready, willing and able, as are many other Southeastern Michigan communities, to welcome industries seeking a better place to work.



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Kapital is worth about \$250. And, of course, a few old economics books command really high prices, as do many other rare books; a first edition of Adam Smith, bound in its original gray boards—none such exists, so far as Kelley knows—would bring \$3,000 to \$5,000, he thinks. When Kelley himself gets hold of an item he really likes—for its flavorsome style, cogency of reasoning, and rarity—he often puts what he considers a ridiculously high price on it so that he won't have to sell it at all. And usually the price is so high he doesn't.

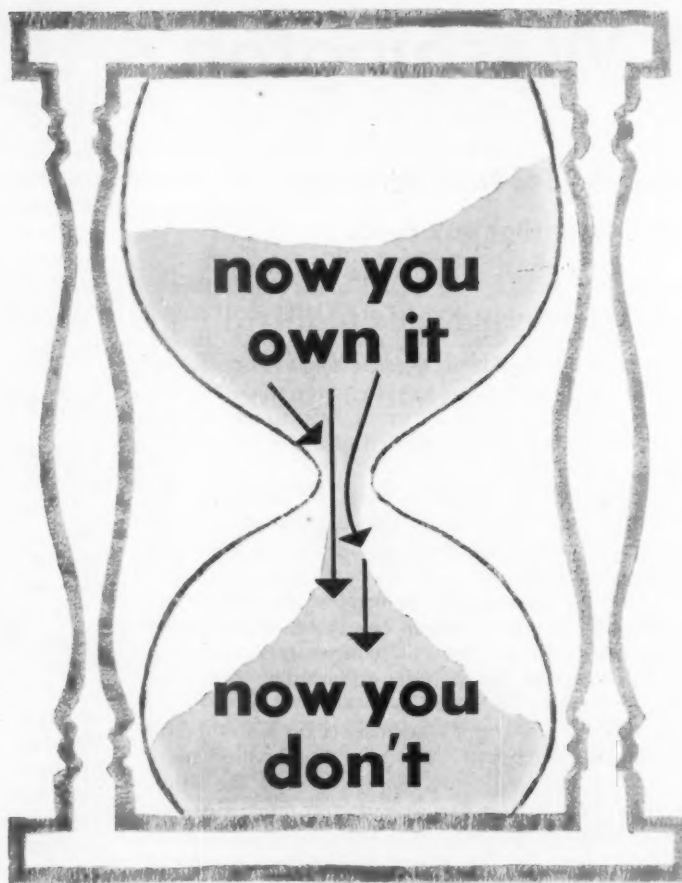
• **Eager Customers**—Kelley finds that demand for the economics classics is growing rapidly “while the scarce books are getting scarcer.” His foreign customers are eager to learn what the classical writers had to say about how to promote economic growth. His hottest customers are Latin Americans, who have the money to spend and a powerful interest in writers like the German Friedrich List and the American Henry C. Carey, who argued that high tariffs helped stimulate national economic growth.

Kelley thinks his main competitor is Leon Kramer, a bookseller on Eighth Street in New York. “But I don't know whether he's really a competitor or not. We get along awfully well.” Kelley, says Kramer, “who claims to be a philosopher,” is an old-fashioned bookseller like the Hardings and the Kashnors. “If you go into his store to buy a book, he makes you play chess with him,” says Kelley. “And his tastes are more off-beat than mine—he likes Robert Owen, the Fourierists, all the Utopian Socialists.”

Kelley himself leans toward the French Physiocrats—“with whom I am emotionally bound up”—and the great classical triumvirate, Smith, Ricardo, and Malthus. Among 20th Century economists his favorite is his former mentor at Columbia University and the National Bureau, Prof. Wesley C. Mitchell—“the sweetest man that ever lived.”

• **Undersell**—Kelley's first major publishing job was Wesley Mitchell's Lecture Notes, which he had to put out on a mimeograph machine, because Mitchell's widow insisted that her husband didn't think his lecture notes were worthy of being published as a genuine book. But a distinguished English professor, T. W. Hutchison, feels in those notes “the weight of the impression made on his audience by his breadth of view and learning, his seriousness and good humor, and his profound tolerance, patience and modesty. . . .”

Kelley's main business ambition is to persuade Mrs. Mitchell to let him publish a hard cover edition of the Mitchell lectures in something like Caslon Old-Style. **END**



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# In Washington

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## Congress Said to Favor Bond Issue To Fill Gap in Highway Funds

Reports are trickling out that Congress is ready to turn to bond issues as a way to provide needed money for the multibillion-dollar highway program. If the program is to be kept on its present construction schedule, Congress must find a way to pump more money into the special trust fund set up in 1956 to pay for the roads. This fund is fed by taxes on gasoline, tires, tubes, and other such levies.

Short-range, about \$1-billion must be added to the coffers to keep the program rolling as planned over the next couple of years; long-range, it will take an additional \$13-billion to \$14-billion.

The Administration wants to increase the federal tax on gasoline by another 1½¢—up to a total of 4½¢—from 1960 to 1964. Many powerful congressmen, truckers, automobile owners, the petroleum industry, and state officials are strongly opposed, however.

Congressional sources say lawmakers on Capitol Hill are leaning toward bond issues as a way to raise more money. And, key Democrats reportedly want the bonds handled by the Treasury at a 2% interest rate. But, the Administration—if it bends to a bond issue—is sure to fight hard to have the bonds sold on the open market at market interest rates. That way, technically, the debt ceiling would not be affected.

The issues will come into the open early next month when the House Ways & Means Committee plans to take up the matter.

• • •

## British Get Their Dander Up Over Air Route Controversy

A fight over the lush Tokyo-U.S. airline routes is making British tempers flare. If a decision expected at the Civil Aeronautics Board within a few days goes against British Overseas Airways Corp., strong diplomatic representations are expected to be made to the White House.

The controversy stems from BOAC's proposal last October to operate a round-the-world route via Tokyo, San Francisco, and New York. The route eastward from London now terminates in Tokyo.

Northwest Airlines vigorously opposed the application on the ground that it would divert \$12.7-million per year from U.S. carriers crossing the Pacific, and even cut into the business of lines on purely domestic routes.

Further, Northwest claims a BOAC stop at Tokyo—which generates 80% of all transpacific traffic—is not covered in the bilateral agreement cited by the British that authorizes BOAC to operate between the U.S. and the Far East. And, finally, the British have refused to grant Northwest landing rights at Hong Kong.

CAB Examiner Ferdinand D. Morgan last week recom-

mended that the British airline be permitted to fly between Hong Kong and San Francisco by way of Honolulu and Wake Island. But he ruled that BOAC should not be allowed to include Tokyo on the route.

CAB is expected to make its own decision within a few days. Then the loser is likely to take his case to the White House, which must review all international air route decisions.

There have been rumblings that the British would suspend the bilateral agreement with the U.S. if their plans for the transpacific crossing are frustrated.

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## FCC Bill Legalizing VHF Boosters Expected to Get Nod From Congress

Congress is expected to approve the Federal Communications Commission's proposal to legalize TV booster stations—relay facilities that boost the TV signal into isolated communities.

Congressmen from the mountainous Western states forced the FCC to reverse itself on its earlier ruling, which would have required the VHF boosters to translate their signals to UHF in order to avoid interference between VHF stations. The new proposal requires only that the VHF signal be switched to a different channel by the booster and that it be limited to a 5-mi. range.

Opposition from operators of community antennas, located largely in the East, are not likely to muster enough strength to block the bill. There are some 1,000 VHF boosters already in operation—although illegally—around the country.

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## Secy. Strauss Still Unconfirmed; Other Jobs Slated for Approval

Pres. Eisenhower is having troubles with some of his nominees, but not all.

Secy. of Commerce Lewis Strauss was on the hot seat again this week before the Senate Commerce Committee.

But some top jobs were routinely sent to Congress and will get approval without trouble. Among them:

- Rosel H. Hyde, Republican, will be reconfirmed for a new seven-year term to the seven-member Federal Communications Commission.

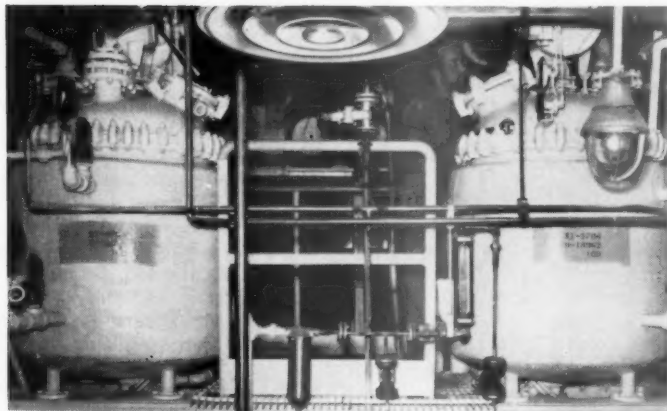
- Joseph E. Talbot, Republican, will be reconfirmed to the six-man Tariff Commission for a term that expires in 1965. Pres. Eisenhower is expected to make him chairman when the term of Chmn. Edgar B. Brossard expires Apr. 30. Brossard's seat on the commission will be filled by J. Allen Overton, who already has been confirmed.

- Earl F. Hastings, Democrat, will get confirmation again to the five-man Securities & Exchange Commission, for a five-year term.

- William J. Hallahan, Democrat, will be approved for a new four-year term to the three-man Federal Home Loan Bank Board.

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## FLUIDICS AT WORK

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Merck and Company, for example, makes a series of steroids which involves, among other corrosives, chlorine, bromine, and organic acids.

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## MEASURE OF PERSONAL INCOME

STATE	Millions of Dollars				% CHANGE VS. YR. AGO
	1953-55 AVERAGE	FEB. 1958	JAN. 1959	FEB. 1959	
Alabama	\$286.4	\$348.9	\$366.1	\$376.3	+ 7.9%
Alaska	41.9	51.1	58.1	55.3	+ 8.2
Arizona	126.9	168.3	181.4	186.3	+10.7
Arkansas	153.5	178.9	180.7	178.0	- 0.5
California	2,341.7	2,956.7	3,180.5	3,223.5	+ 9.0
Colorado	217.2	282.8	307.7	310.1	+ 9.7
Connecticut	440.7	522.2	543.2	556.3	+ 6.5
Delaware	78.6	98.4	102.4	102.8	+ 4.5
District of Columbia	158.2	175.0	186.7	189.7	+ 8.4
Florida	456.8	633.2	702.5	705.5	+11.4
Georgia	383.2	455.3	471.0	478.4	+ 5.1
Hawaii	76.0	93.2	102.5	104.8	+12.4
Idaho	74.5	88.9	93.2	97.4	+ 9.6
Illinois	1,677.5	1,920.1	2,019.9	2,080.5	+ 8.4
Indiana	663.5	726.2	779.4	803.9	+10.7
Iowa	357.3	439.5	482.0	485.0	+10.4
Kansas	281.8	339.7	352.2	359.1	+ 5.7
Kentucky	307.1	333.0	364.4	361.2	+ 8.5
Louisiana	318.3	408.7	410.4	421.1	+ 3.0
Maine	112.8	129.2	130.9	132.5	+ 2.6
Maryland	432.3	521.4	558.4	567.7	+ 8.9
Massachusetts	799.8	936.1	982.3	1,000.0	+ 6.8
Michigan	1,234.1	1,310.9	1,390.1	1,410.6	+ 7.6
Minnesota	434.8	519.1	538.9	548.5	+ 5.7
Mississippi	160.9	186.3	191.2	195.7	+ 5.0
Missouri	600.9	692.6	729.7	741.3	+ 7.0
Montana	92.3	109.3	116.8	119.8	+ 9.6
Nebraska	182.5	244.7	257.4	259.5	+ 6.0
Nevada	43.1	53.7	60.6	61.7	+14.9
New Hampshire	75.2	87.2	88.7	91.2	+ 4.6
New Jersey	982.9	1,148.8	1,220.8	1,236.2	+ 7.6
New Mexico	91.8	118.6	123.2	125.0	+ 5.4
New York	2,887.9	3,370.7	3,486.5	3,502.0	+ 3.9
North Carolina	429.0	497.7	530.7	540.4	+ 8.6
North Dakota	67.4	81.0	85.6	85.0	+ 4.9
Ohio	1,476.3	1,639.7	1,725.9	1,789.3	+ 9.1
Oklahoma	268.5	310.9	318.2	322.6	+ 3.8
Oregon	249.8	290.8	303.7	311.0	+ 6.9
Pennsylvania	1,678.6	1,873.7	1,953.5	1,950.0	+ 4.1
Rhode Island	129.9	140.3	146.9	149.5	+ 6.6
South Carolina	210.0	233.6	245.1	247.8	+ 6.1
South Dakota	73.7	96.2	102.6	103.0	+ 7.1
Tennessee	345.9	391.4	430.7	414.3	+ 5.9
Texas	1,132.9	1,379.5	1,437.7	1,475.8	+ 7.0
Utah	98.1	122.8	132.7	133.8	+ 9.0
Vermont	45.9	51.6	54.8	55.5	+ 7.6
Virginia	383.3	525.6	544.8	549.4	+ 4.5
Washington	418.0	488.7	521.4	526.1	+ 7.7
West Virginia	209.7	252.8	262.9	269.6	+ 6.6
Wisconsin	528.2	613.0	644.0	645.0	+ 5.2
Wyoming	45.9	56.2	58.7	57.6	+ 2.5
<b>NATION</b>	<b>\$24,363.5</b>	<b>\$28,694.2</b>	<b>\$30,239.7</b>	<b>\$30,492.6</b>	<b>+ 7.8</b>

February figures preliminary; January revised.

©BUSINESS WEEK

With the table at the left, sales managers have a chance to take the latest reading on what's happening to purchasing power around the nation, giving them a ready yardstick against which to compare their performance.

It's the second appearance of BUSINESS WEEK's Measure of Personal Income, introduced last month (BW-Mar.28'59,p146) and henceforth scheduled to appear in the last issue of every month.

The Measure is an improvement over the former Regional Income Index in two ways: It breaks the nation into states (even includes state-elect Hawaii and the District of Columbia) rather than the 12 Federal Reserve districts, and it takes the form of actual dollar figures, rather than the less meaningful index numbers.

Nowhere else are estimates of personal income by states available on so current a basis. The Commerce Dept. issues its state-by-state totals only once a year, in August. Last month, BUSINESS WEEK was able to call the score on all of 1958 and January, 1959, as well. This month, February figures are out; next month, March.

• **Signs of Recovery**—According to these seasonally adjusted estimates, U.S. purses fattened somewhat in February as the nation continued to climb out of the recession. February incomes improved 7% over the same month a year ago, when most states were sliding into the trough.

Evidence of recovery appeared in all states except Arkansas, where income was a fraction below a year ago. In early 1958, however, contrary to the national trend, Arkansans were enjoying an upswing.

Nevada enjoyed the largest yearly increase (14.9%), thanks to a healthy rise in nonmanufacturing jobs—many of them in desert resorts where the siren song of gambling and other attractions continued to lure spenders. Others showing impressive increases included Hawaii, Florida, Arizona (February is a big winter tourist month in these three), Indiana, and Iowa.

• **Below Average**—In 24 states, year-to-year increases were below the national average. Many of these were farm states where the recession was scarcely noticeable, if at all. Five of the six New England states also showed below-average improvement. This region started into the recession earlier than others, and its recovery has been slow. Many plants, some quite important to individual communities, have either shut down completely, moved elsewhere, or drastically curtailed output. Brisk activity in electrical and electronics manufacturing

# new plants need **POWER...**

**of the nation's  
total electric utilities  
generating capacity,  
over one-sixth  
is installed in  
The Land of Plenty**



1957 figures of the Federal Power Commission show that this nation's power utility installations for generating electricity have a total capacity of 126,807,126 kilowatts.

Of this total, utilities installations in *The Land Of Plenty* have a capacity of 21,448,385—over one-sixth the U. S. total. And additional installations

with a capacity of 2,538,000\* kilowatts were added in 1958.

*This is dependable power — and at low rates.*

Let the Norfolk and Western's plant location specialists tell you about electric power and other major industrial advantages in *The Land Of Plenty*. There's no obligation, and all inquiries are kept confidential.

\*All figures from Federal Power Commission.

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Industrial and Agricultural Dept.  
Drawer 8-831 (Phone Diamond 4-1451, Ext. 474)  
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Roanoke, Virginia



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# HOW TO END CONVEYOR BELT CLEANING PROBLEMS

*Unique OSBORN ROTA-MASTER® brushes do the job automatically . . . can cut your downtime and maintenance costs now*

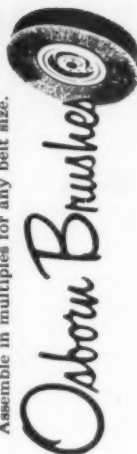
CARRYOVER on rubber and fabric conveyor belts can cause destructive wear—and add costly downtime hours spent in frequent cleaning. Osborn Rota-Master® Brushes automatically and efficiently prevent buildup of such materials as chemicals, food, tobacco, chips, core sand, coke and ore on belts, rolls, snubber pulleys and return idlers. Easy to install and adaptable to any system—Rota-Master Brushes clean conveyor belts with a unique, flexible sweeping action that does a thorough job. Brushes are self-cleaning, simple to adjust for correct brushing pressures.

An Osborn Brushing Analysis—at no obligation—can pin-point exactly how you can cut costs and simplify your conveyor cleaning. Write for details now. The Osborn Manufacturing Company, Dept. A-103, Cleveland 14, Ohio.

**Write For Rota-Master® Brush Booklet . . .** includes complete application, specification and operational data for all types of conveyor belt cleaning requirements.



**Newest Osborn Rota-Master® Brush** cuts your costs three ways: Newly developed KORFLAP fill material is extra-tough, cleans more thoroughly, wears far longer. New lightweight extruded aluminum mounting is easier to handle and install. Mounting is re-usable . . . replacement brush strips are easily inserted when finally needed. Available in 16", 18", 24" and 30" face widths. Assemble in multiples for any belt size.



plants, construction, apparel, and leather industries has not offset these adverse developments.

Gains in industrial states where unemployment remains a serious problem were unimpressive, in view of the fact that payrolls last year dropped sharply. A good share of the increases in Michigan, New York, Pennsylvania, New Jersey, West Virginia, Illinois, and Wisconsin can be traced to higher wages, farm receipts, and unemployment and old age benefits.

• **Month-to-Month Rise**—From January to February, personal income rose 2% across the nation. Forty-two states and the District of Columbia showed some improvement in the month-to-month comparison. Among the losers: Alaska (down 4.8%), Arkansas, Kentucky, North Dakota, Pennsylvania, Rhode Island, Tennessee, and Wyoming.

• **Using the Figures**—No matter whether it's the year-to-year or the month-to-month comparison that a marketing researcher is after, the state figures give him a handy tool. Because corporations group their sales territories by a great variety of regions—federal agencies can't agree on definitions of regions, either—state figures are the most useful units. A researcher can easily add together any group he wants to match a given territory.

The dollar figures are also easier to grasp than index numbers. The old index used varying weights in each district for the several component factors (farm income was given a greater weight in a farm state, oil production in Texas, and so forth). It proved to be reliable for a long time until the westward shift of the economy built slight distortions into the indexes.

When it came time to consider a revision of the weights, BUSINESS WEEK's editors and the McGraw-Hill Dept. of Economics decided to substitute the common denominator of the dollar.

• **Double Check**—Before introducing the Measure, economists and statisticians tested their methods of estimating components of income by checking back through the years against Commerce Dept. figures. When the two sets checked out, after more than a year, the Measure was ready.

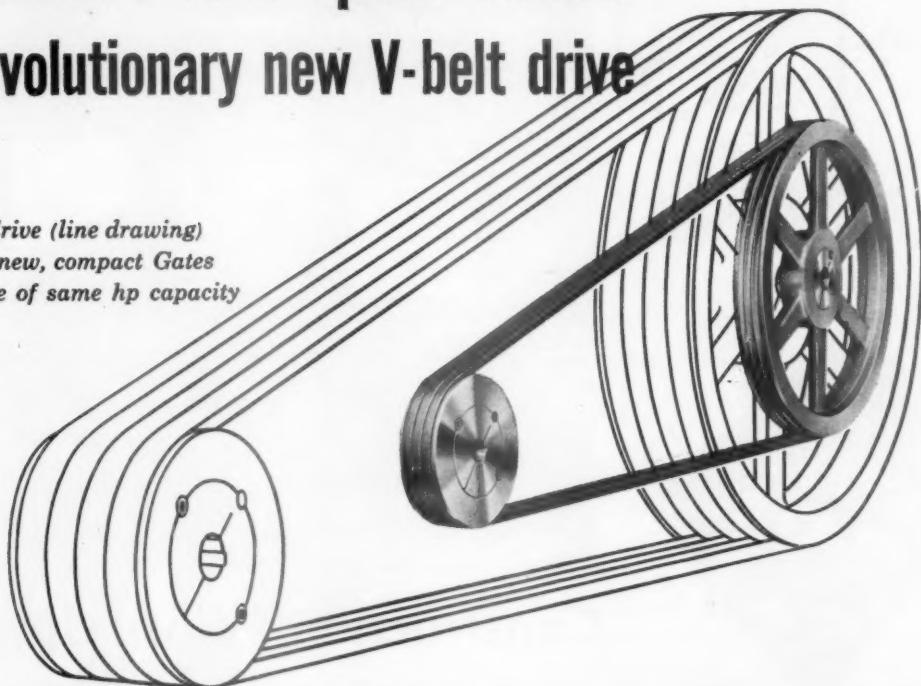
Not all components required the same degree of experimentation. Manufacturing payrolls, for example, are provided on a monthly basis by the Bureau of Labor Statistics. But other figures are not available monthly; with them, it was a question of projecting quarterly or less frequent figures on the basis of historic patterns and converting them to months.

When all the components are ready on a monthly basis, they are adjusted for seasonal variations to eliminate misleading fluctuations. **END**

INDUSTRIAL BRUSHES • BRUSHING METHODS • BRUSHING MACHINES • FOUNDRY PRODUCTION MACHINERY

# up to 50% less space needed for revolutionary new V-belt drive

*Present V-belt drive (line drawing)  
compared with new, compact Gates  
Super HC Drive of same hp capacity*



**COMPARE:** Left—typical drive with present V-belts. Right—drive of same hp capacity with Gates new Super HC V-Belts . . . uses fewer belts, smaller sheaves and shorter center distance.



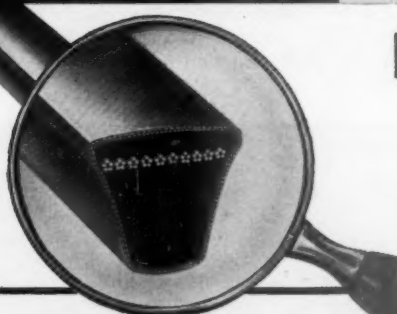
## Reduces drive cost as much as 20%

A major advance in the field of power transmission is the fully proved Gates Super HC V-Belt. This high capacity belt makes possible the lowest-cost, lightest-weight, most compact multiple V-belt drive that can be put on any machine.

*The cost of a new Gates Super HC V-Belt drive is as much as 20% under the cost of present V-belt drives of the same hp capacity.*

For an informative new handbook, "The Modern Way to Design Multiple V-Belt Drives," call your nearby Gates Distributor or Gates Office listed under Belts or Belting in Yellow Pages of your phone book.

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**Exclusive cross-section design:** The precisely engineered arched top, concave sidewalls (U. S. Pat. 1813698) and special tensile construction insure full pulling power and longer belt life.



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# Gates Super HC V-Belt Drives



## for East London, South Africa

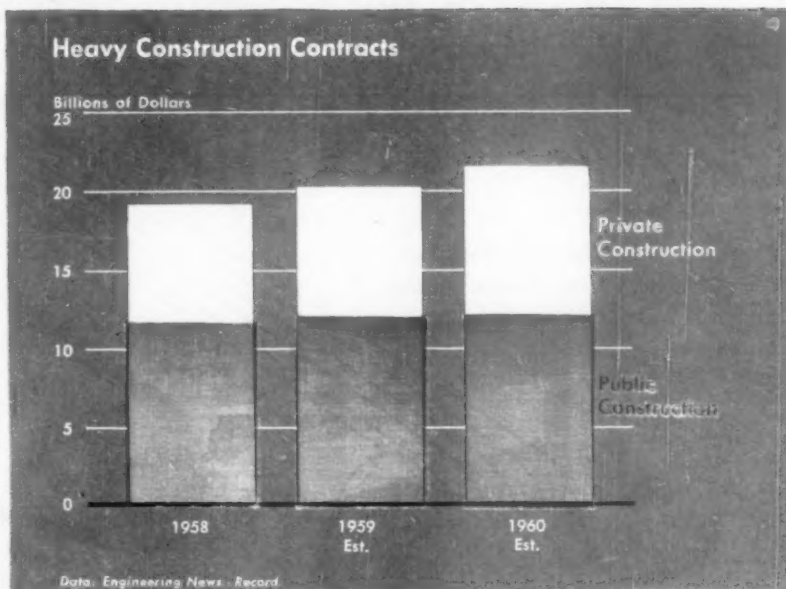
Ships plying the South Atlantic and Indian Oceans can repair in the new \$5,000,000 graving dock at East London. There, much of the steel plate that rebuilds old hulls and sheaths new ships is imported from the U. S. by Robor—via Farrell Lines.

Farrell's 14 fast ships are equipped for almost any cargo from steel plate to fresh flowers . . . from frozen fish in refrigerated compartments to bulk liquids in deep tanks. No other steamship company can match our experience in African trade or travel. We will be glad to share this experience with you. Farrell Lines, 26 Beaver Street, N.Y. WH 4-7460.



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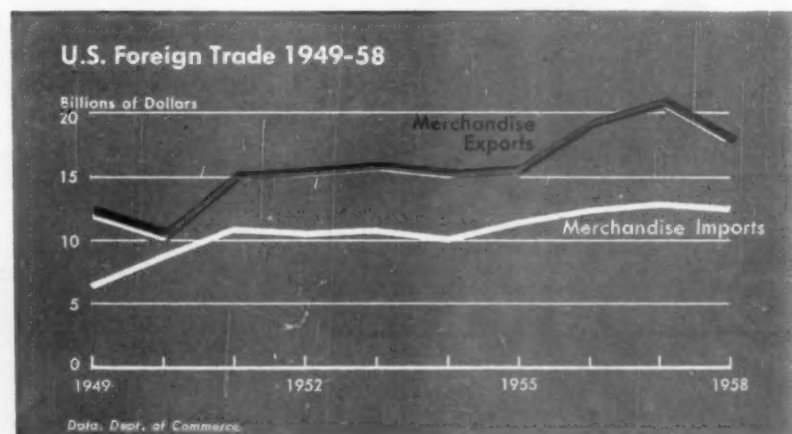


## Construction Points Up

1958 was the second biggest year in history for heavy construction contracts—7% higher than 1957 and 12% under 1956. Engineering News-Record, a McGraw-Hill publication, forecasts that contract awards will rise 5% in 1959 and another 7% by 1960. The current construction backlog is a huge \$114.4-billion. It would take six years at the 1958 rate of \$19.2-billion just to award all the projects in this backlog.

The biggest share of 1959's new con-

struction (about 59%) will be in public works. By 1960 this is expected to drop to 56% as commercial and industrial construction pick up steam. More than a third of the public construction dollar will go into highways, with the rest in mass housing, waterways, sewerage, bridges, waterworks, and public buildings. Growing financial problems in many states will probably hold up contract awards on some major proposed construction projects.



## The Steeper Fall of U.S. Exports

U.S. exports of merchandise in 1958 fell 14.4% below the record set in 1957 while imports dropped only 1.5%.

Several factors contributed to the decline in exports: The end of the Suez crisis lessened demand for U.S. pe-

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the standard "extras" alone!**



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YOUR OWN TRADEMARK or name inserted in the clear, see-through fuel reservoir.

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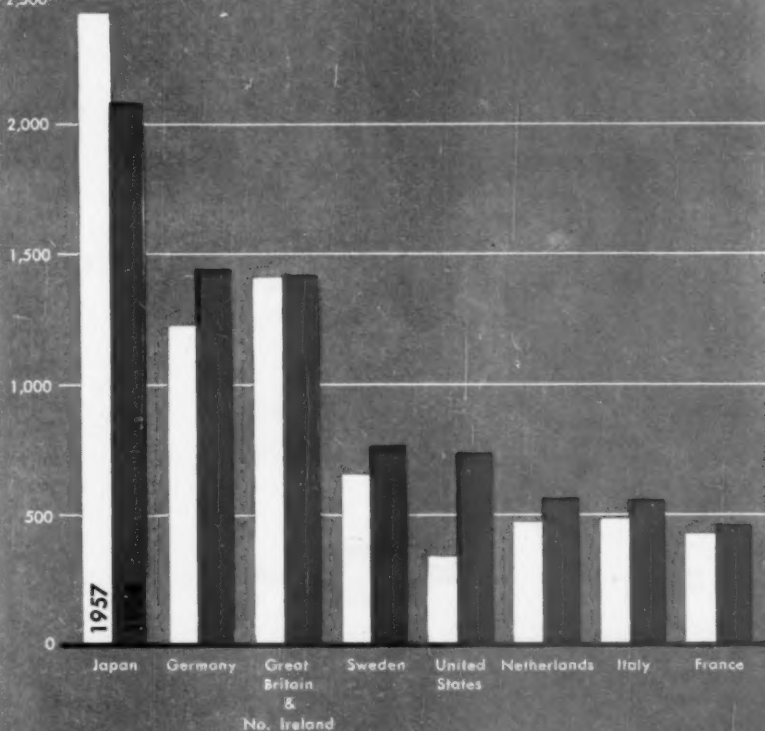
troleum; recessions in certain areas that were heavy purchasers of American goods caused sharp cutbacks in U. S. exports of coal, steel mill products, cotton, and inedible oils and oil seeds; easier supply conditions abroad led to declines in exports of foodstuffs; stiff competition from Western Europe and Japan lowered exports of U. S. finished manufacturers, including industrial and textile machinery, construction and mining equipment, tractors and auto-

mobiles; and foreign restrictions on imports of consumer goods.

As for imports, declines in the value of crude and semi-finished manufactures—notably coffee, non-ferrous metals, ferroalloys, crude rubber, and wool—were offset by the rise in manufactured products. Almost 431,000 foreign passenger cars were imported last year, a 66% jump over 1957. Other import increases were in agricultural implements, gasoline, and foodstuffs.

### Merchant Ships Launched by Major Countries, 1958 vs. 1957

Thousands of Tons Launched



Data: Lloyd's Register of Shipping.

## Shipbuilding at Postwar Peak

Shipbuilding in 1958 had its biggest year since World War II. Yards throughout the world launched 1,936 merchant ships of 100 tons gross or more, totaling 9.2-million tons.

For the third consecutive year, Japan led the world in tonnage output of merchant ships, despite a drop of 366-thousand tons from 1957. Germany earned second place for the first time, edging out Great Britain and Northern Ireland, which dropped to third.

Germany's emergence as a major shipbuilding center is a postwar development. In fact, the industry did not pick up steam there until 1951, but

it expanded output steadily thereafter.

Great Britain's share of world output has been falling steadily since 1948. It launched only 15.1% of world output in 1958; yet only 12 years ago, the British dominated the shipbuilding scene with 57% of merchant vessels produced.

In the U. S. the industry enjoyed its best year since 1945 and more than doubled 1957 output.

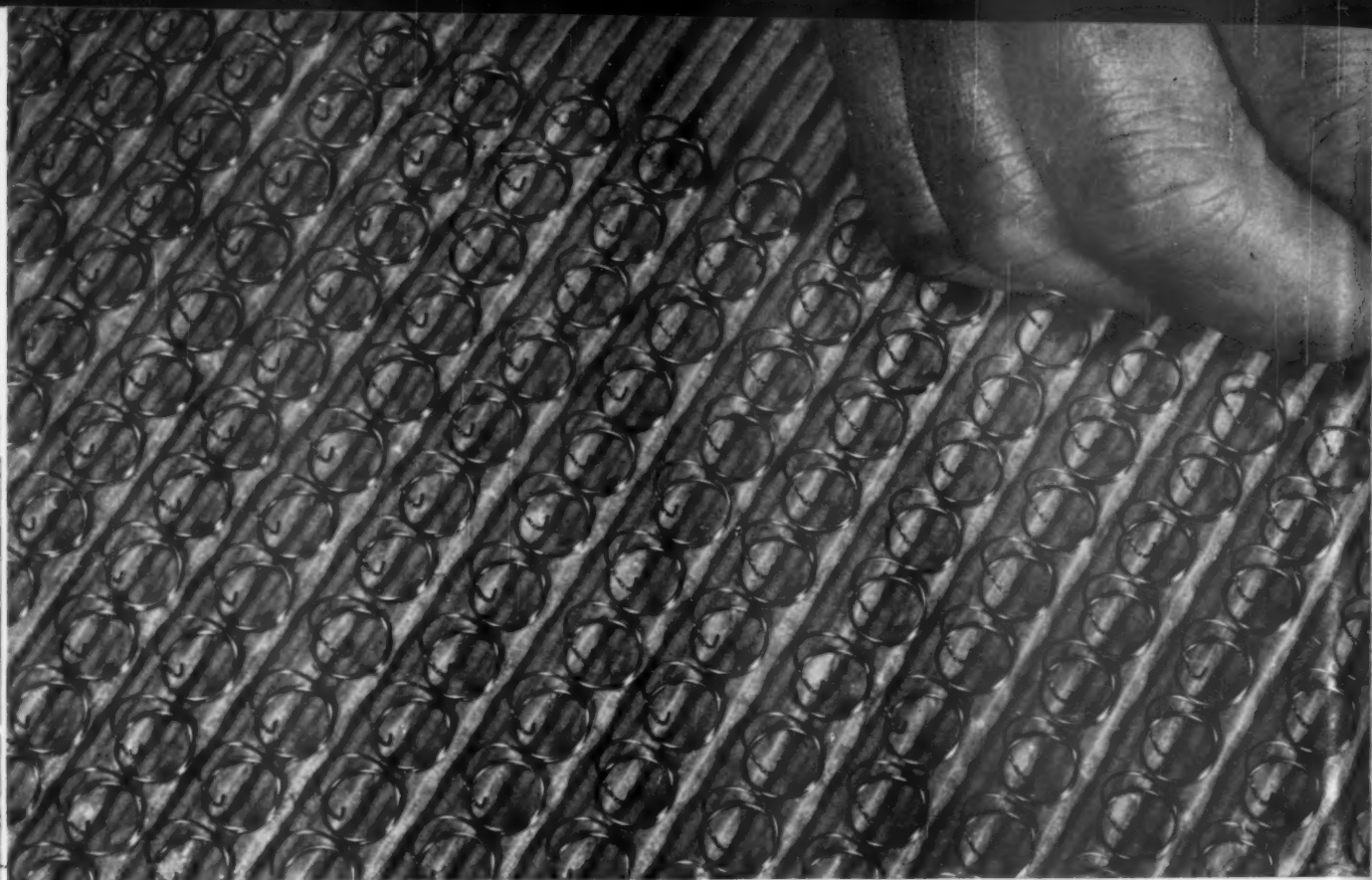
Of the 14 largest ships (30,000 tons and over) launched in the world in 1958, seven were produced in Japan, three in the U. S., two in Germany, and one each in Italy and the Netherlands.

**whatever the job . . .**



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**PERMACEL** *New Brunswick, N. J.* TAPES • ELECTRICAL INSULATING MATERIALS • ADHESIVES



**Wispy but precise** as the pattern they make on this gummed pallet are carburetor pump springs coiled from Johnson Steel's .014 tin-coated music wire.

**Johnson Steel's Wire Is In Springs That Are . . .**

**'Out Of This World'**



**Mid-West Spring relies on Johnson Steel's Music Wire to make precise springs for satellites to sewing machines.**

Trouble is their business . . . customers' trouble, that is—even in Outer Space.

That's the approach of Mid-West Spring Manufacturing Co. of Chicago, a firm that goes after the tough jobs with the help of Johnson Steel & Wire Co., its major supplier.

"We want the job the others can't do, whether it's a spring for a space missile or for a thermostat in your home," says R. H. Muehlhausen, vice president of sales.

**Full range** of Johnson Steel's specialty wires stocked at this warehouse guarantees same-day delivery to wire users in Chicago area.



of them literally "out of this world," performing functions in missiles and satellites now in orbit. Other products of the firm's three plants are used in farm implements, business machines, furnace controls, autos, home appliances and various electronic devices.

Mid-West uses the full range of Johnson Steel's music wire, from .003 to .300 inch, in all finishes. Every coil is checked first with a pilot spring, next at set-up on the coiler and finally at random in production. Some special springs get 100 percent electronic testing.

Roland Parduhn, Mid-West's methods engineer, says:

"We watch tensile strength, surface condition and size very closely. Any deviation or defect, and too many springs would vary from their designed load. We depend on Johnson Steel to maintain consistent quality."

This applies especially to one of the company's biggest production run items—a tension spring for the Anderson Co. of Gary, Ind., supplier of ANCO windshield wiper blades and arms to the automobile, truck, bus and aircraft industries.

• **Coils for Precise Control**—The spring precisely controls the pressure of the wiper on the glass. Too much pressure and the wiper will stall; too little and it will flutter in the wind.

Mid-West's production of this spring—numbering in the millions—represents a rugged performance test, but Johnson Steel's music wire is its match.

The help that Johnson Steel gives Mid-West Spring in its production processes can be duplicated for your advantage. Whether your need is music wire, or any of the many other products in Johnson's complete line of specialty wires, the benefits start the moment your order is received.

A national sales staff is ready to help you quickly and profitably with any application. Contact the district office nearest you.

Tooling, production skill, close control of quality and reliance on Johnson Steel's music wire for 31 years enable Mid-West to take difficult jobs in stride.

"Johnson Steel is the only manufacturer who can provide us with a full range of music wire, plus oil tempered and variously coated as well as bright, hard drawn spring wires we require," says James J. Dunne, purchasing agent and assistant sales manager. "The large stock in their Chicago warehouse is a distinct advantage, especially when we are pressed for fast delivery."

Mid-West is a leading producer of precision-engineered springs—some



Unvarying size, tensile and surface of Johnson Steel's .084 music wire meets Mid-West Spring's demands for coiling this windshield wiper spring.



Fatigue test measures endurance of wiper spring. Here spring records its 2,800,000th stroke with no sign of load loss.

Coilability counts in making this thermostat control spring, which is tested and sorted electronically on coiler. Adjustable-screw plug is threaded in spring, made of Johnson's .058 music wire.



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Worcester 1, Massachusetts

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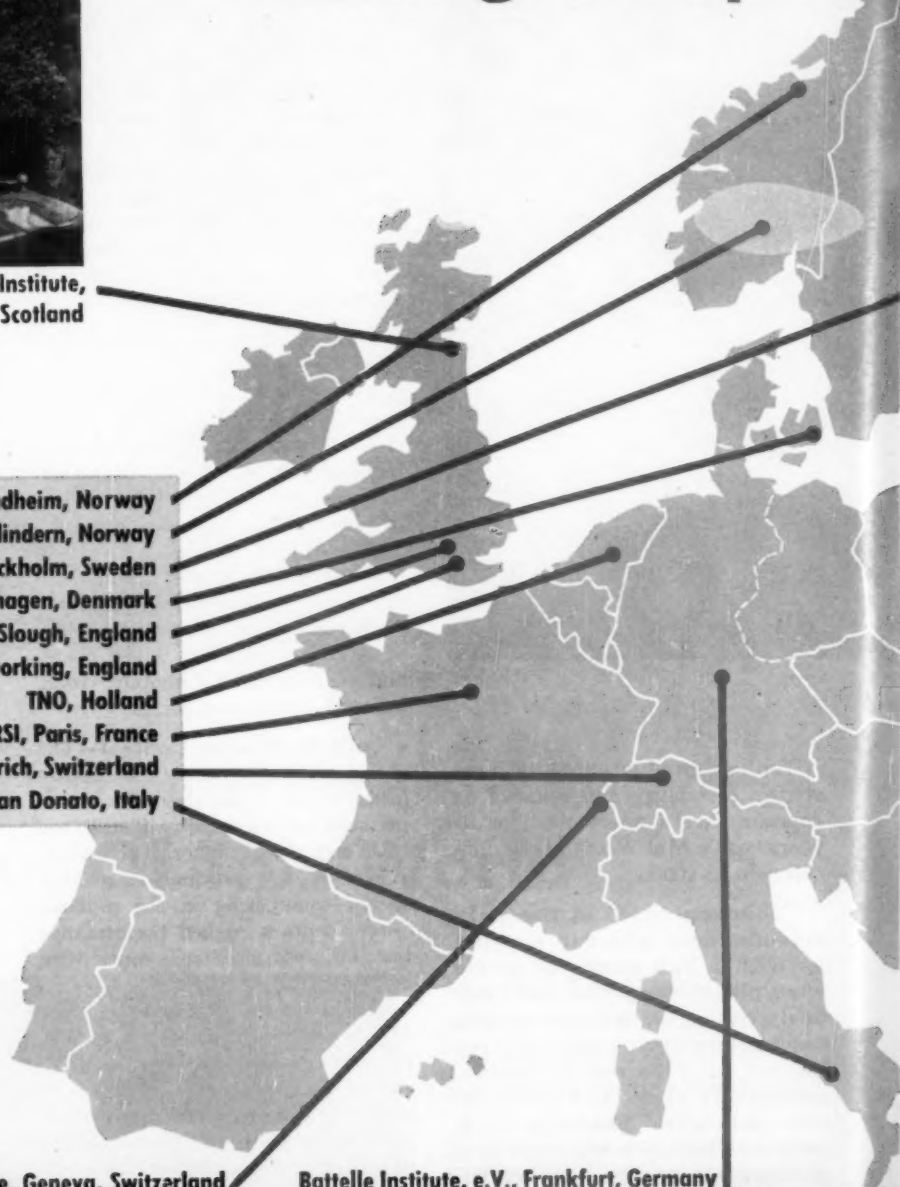
Atlanta	Cleveland	Detroit	Los Angeles	Pittsburgh
Chicago	Dayton	Houston	New York	Tulsa
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## RESEARCH



Arthur D. Little Research Institute,  
Musselburgh, Scotland

# Picking Europe's



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Institute of Technical Physics, Zurich, Switzerland  
ENI, San Donato, Italy

Battelle Memorial Institute, Geneva, Switzerland



Battelle Institute, e.V., Frankfurt, Germany



# Research Brains

**A few centers in Europe  
now do contract research . . .  
Here are some of  
the places to try . . .**

Airways between the U.S. and Europe this summer will be more crowded than even with representatives of U.S. companies looking for ways to get Europe's pool of research brain power working for them. The demand in the U.S. for research work has overloaded the available facilities so badly that farming out work abroad looks like the only answer for many companies. This has often proved true in the past, but this year it looks as if more of these scouts than ever before will come back empty-handed.

Contract research—thinking, calculating, and doing lab work for other people at a fee—is itself a relatively new idea for Europe. As late as 1946, European companies played their know-how close to the vest, and there was no such thing as contract research, even for homeland industries.

Since 1947, Europeans generally have been convinced of the value of farmed-out research—both as clients and as contractors. Now the trouble is that the few research organizations that do this work are overloaded, and the shortage of highest scientific skill keeps them from expanding as they might like.

"Companies that were farsighted enough to investigate European research 10 years ago have a real jump on the rest of the field," says an American whose company has just decided to explore contract research possibilities overseas. "It's going to be awfully hard for some of us latecomers to catch up."

• **Still Trying**—This difficulty isn't going to stop U.S. industry from trying. If anything, the number of Americans knocking at the doors of European research institutes will continue to grow. American industrialists have been sold on the idea that there is much to be gained by picking Europe's research brains, and they are putting the heat on their agents. This puts the European representatives of U.S. companies in an uncomfortable spot. The headquarters staff expects results in the form of a contract with one of the better-known institutes or universities.

"I have just about as much chance getting an agreement with one of the big European research organizations now," mourns one footsore representative abroad, "as I have of finding a good contract research outfit that nobody has heard about. In the past six months, everybody's been over here. Most European research outfits won't even talk about the possibility of taking on another contract."

• **Going It Alone**—A chemical company ran into this same dead end a while ago and tried to solve the problem by setting up its own research group in Europe.

"We had a small army of representatives over here," says one of the staff in Europe. "We looked everywhere for a good place to handle part of our research effort. Money wasn't an issue. The problem we wanted solved is an interesting, fundamental one. But we couldn't get anyone in our field to talk terms."

"We finally decided to put our own research facilities in Europe and staff them with the best European scientists we could find. The solution wasn't perfect. We ran into a lot of problems we hadn't anticipated. European scientists are becoming increasingly touchy about how Americans approach them on the subject of research. They resent fiercely anything that hints at exploitation. And they're likely to shun, stiffly, deals that appear to be motivated by too much competitive urge."

• **Eyes Across the Sea**—To be sure, there are 4 examples of U.S. companies that have found research help in Europe and profited greatly in a long and mutually satisfactory relationship. In this category are companies like du Pont, Westinghouse, Union Carbide, and IBM. But such companies are still in the minority. Meanwhile, pressure grows to watch what's going on in European research.

All the big steel companies, for example, are reported interested in Europe's research in vacuum melting of ultra-pure metals. Chemical companies

# YODER

## Roll Forming

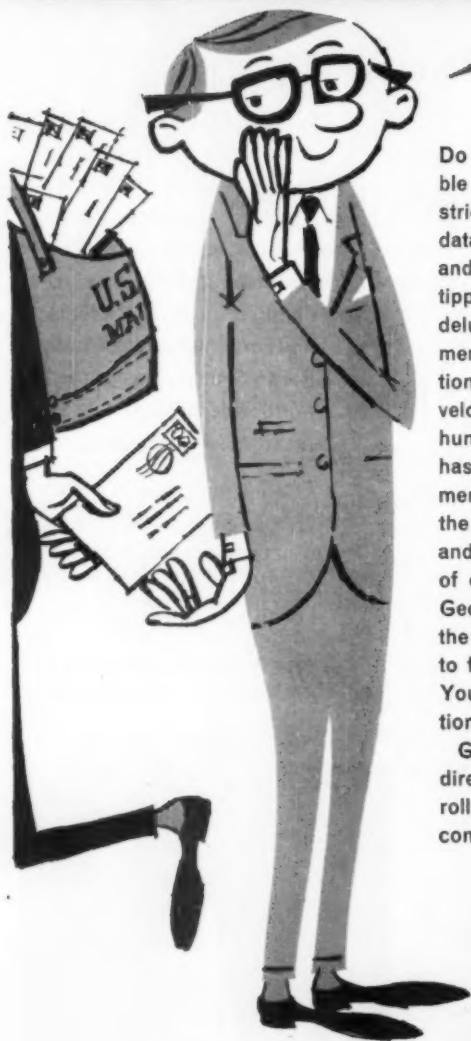
**Equipment**—Product dependability—integrity of manufacture—engineering for specific production needs have all contributed to establish Yoder equipment as the industry standard of excellence. Since 1909 Yoder-built machinery, including Pipe and Tube Mills, Roll Forming Equipment and Rotary Slitters, have earned world-wide customer satisfaction and recognition.

Profit from Yoder's years of engineering and service experience. Send today for the illustrated Yoder Roll Forming Equipment Book.

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**"... Great Britain is probably the best place to look for research contacts ..."**

**STORY starts on p. 78**

keep an eye on polymer research in such places as the Max Planck institute in Mulheim, Germany, and the University of Milan, Italy. Pharmaceutical companies are watching steroid hormone developments in France and Switzerland. Electronic companies keep close tabs on the work in solid-state physics that's going on in Switzerland, Britain, and Germany.

Many companies have set up their own research scouting headquarters in Europe (BW—Jan. 10 '59, p. 89) and are continuing to establish contacts wherever they can. But pickings are thin.

Here's the situation that most companies find in the various countries:

**Great Britain** is probably the best place to look for research contacts abroad. British research institutes are loaded with work, but they are at least doing much the same kind of contract work that a U.S. company would expect from places like Stanford Research Institute, Southwest Research Institute, or Battelle Memorial Institute.

One such organization is the Fulmer Research Institute at Slough Bucks, opened in 1947 on the general pattern of Battelle Memorial Institute in Columbus, Ohio, and the Mellon Institute in Pittsburgh. Fulmer does about half its work for the British government, one-quarter for British companies, and the rest for the U.S. government and several dozen American companies. Its specialty is research in nonferrous metallurgy and inorganic chemistry.

Fulmer has a staff of only slightly more than 100 scientists, compared with Battelle's 2,200 and Mellon's 400. Thus, it is severely limited in the number of new contracts it can accept.

The Soudes Place Research Institute in Dorking, Surrey, which specializes in industrial chemistry and chemical engineering, is in much the same situation. Most of its effort is devoted to work for the British government and for British industry.

In 1956, Arthur D. Little, Inc., of Cambridge, Mass., established a European research connection by buying a going concern in Britain. It does part of its research there, mostly for U.S. clients. However, it can work only for one client in each field; it is trying to broaden the institute's coverage into more kinds of work so as to serve more industries.

**Germany** is even more of a closed shop to new research contract arrangements. Most famous of all the German



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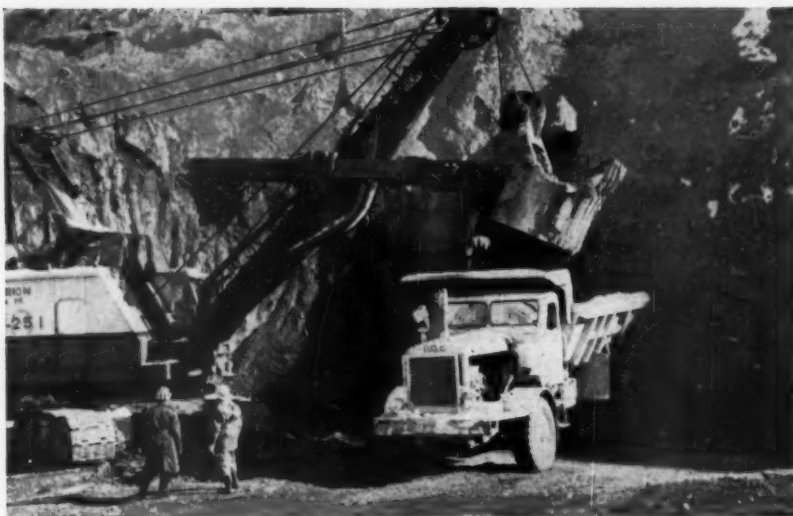
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70 Rear-Dump Euclids are hauling rock and clay fill material for a big hydro-electric project on the Sho River in Japan

## Modern Earthmovers Building Biggest Rock-fill Dam in Japan

Construction of Miboro Dam on the Sho River in Japan was begun in 1957 and is scheduled for completion in late 1961. The dam will be 410 ft. high and 1400 ft. in length... involves excavation of nearly 6 million cu. yds. of rock and clay for the fill. An underground power station will have a generating capacity of 215,000 KW of electricity.

There are 70 Rear-Dump Euclids being used on this big project by Electric Power Development Company, Ltd. Forty of these are 22-ton capacity machines equipped with hydrotarders that provide supplemental braking for steep down grade hauls from the quarry to the dam site. The other 30 "Eucs" are used principally for hauling clay core material—they are 15-ton units that were previously used in building Sakuma Dam, another big hydro power project in Japan.

Dependable performance and minimum downtime are always important considerations in the selection of earthmoving equipment... they mean even more when the machines are to work many thousands of miles from the factory. Euclid owners from Norway to New Zealand know that they can count on the simple but rugged design and construction of "Eucs" to maintain high production and cut hauling costs. If heavy earthmovers are used in your operations... crawler tractors, self-powered scrapers, rear-dump or bottom-dump haulers... have a Euclid dealer give you facts and figures on models suited to your needs. He can show you why Euclids bring a better return on your investment.



### EUCLID

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... a complete line of equipment for heavy earthmoving, mining, logging and many industrial operations ...

**"... the Society is an independent research association, pledged to deal with basic research problems ..."**

STORY starts on p. 78

research organizations is the Max Planck Society for the Advancement of Science. It was reactivated after World War II (in 1948) to take over the aims of the old Kaiser Wilhelm Society and has scored, in the past 11 years, a number of stunning scientific firsts.

Best known of these perhaps was the development at one of its member organizations—the Max Planck Institute for Coal Research—of the first commercial process for manufacturing high-density polyethylene. This process today is licensed by a number of leading U.S. plastic manufacturers. And it has focused much interest in what Max Planck researchers are doing in many other fields as well.

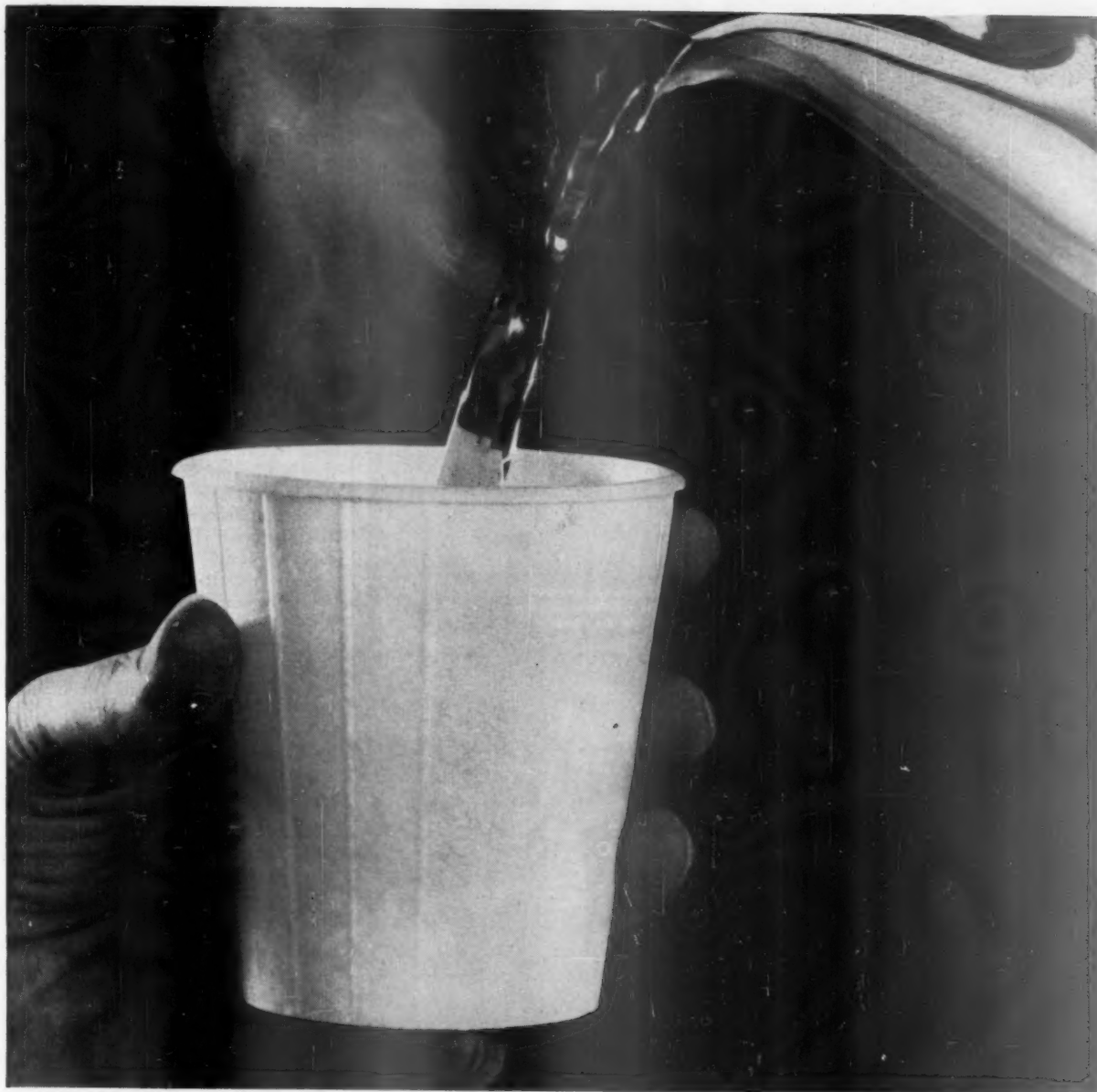
The concepts underlying the Max Planck Society preclude, however, the possibility of extensive use of its resources by U.S. industry. It is an independent research association, pledged to deal principally with fundamental research problems. It is independent of both the German government and German industry (although it is supported by the state governments in the German Federal Republic). Directors of the separate Max Planck institutes have complete freedom in setting their research goals. They tend to guard this right jealously.

The result is that, although U.S. companies are free to bid for the results of Max Planck research once it is completed, they have little chance of getting the jump on their competitors earlier in the game, and even less chance of getting an elaborate research project handled for their own special interests.

Also in Germany is the Union of Industrial Research Associations, founded in 1954 to coordinate the numerous research societies of Germany. Another similar organization (aimed at linking German industry and university scientific work) is called the Central Agency for Contract Research.

Neither of these organizations, however, has its own laboratories for research purposes, as most U.S. companies are likely to require. The most that UIRA and CACR can do for the average U.S. company is to act as a sort of guide.

They can, if they choose, tell a company representative where the kind of research he is interested in is going on in Germany. This kind of guidance service is often a valuable aid. But, aside from providing an introduc-



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a disposable plastic cup that insulates like a vacuum bottle**

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Thermokup is another example of DYLITE's remarkable insulating properties, and of its versatility in the container field. Because this cup is made of DYLITE, hot beverages stay hot and cold beverages stay cold—longer! But more important, you can actually hold this cup in your hand with almost no sensation of heat or cold.

DYLITE offers the container industry an exciting

new material. It is lightweight, strong, water-resistant, an outstanding insulator and shock-absorbent. What's more, DYLITE molds to any size or shape in a handsome, satin-like finish. It can also be colored.

For more information on DYLITE expandable polystyrene, write now to Koppers Company, Inc., Plastics Division, Dept. BW-49, Pittsburgh 19, Pennsylvania.

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are other fine plastics produced by Koppers Company.





**HARPER**

Pouring silicon bronze at  
The H. M. Harper Company,  
Metals Division

**"... they (the Germans) are not eager to part with what they have, regardless of the offering price ..."**

STORY starts on p. 78

tion to the right places, it's no guarantee that a U.S. company can make the arrangements it wishes for getting contract research done.

The Germans, perhaps more than any other group of researchers in Europe, are profoundly conscious of the commercial value of their basic research. They see themselves in competition not only with other German research organizations but with research organizations in the rest of Europe and the U.S. as well. They realize that the advent of the European Common Market and the Free Trade area is bound to put more emphasis than ever on technical advancement. Therefore, they are not eager to part with what they have, regardless of the offering price.

Switzerland offers a much rosier picture. In the pharmaceutical and dye-stuffs industries (highly competitive in Switzerland) it is practically impossible for a U.S. company to get much research done. But the Zurich Technical Institute has a handful of small research sections that have done excellent research work for a number of foreign companies in other fields. The work of these research sections is highly respected in scientific circles throughout the world, and is, therefore, much in demand.

France has, of course, a large number of university-linked research organizations that will, for a fee, tackle fundamental research problems in everything from petroleum chemistry to electronics. But they are often hard to single out and pin down to terms.

Best bet for the American company scouting the research potential of France for the first time probably would be an outfit in Paris known as the ERSI (Etudes et Recherches Scientifiques et Industrielles). This group does some contract research of its own, mostly in the field of chemical engineering and chemistry. It has also acted for a number of U.S. companies as a means of finding available research facilities elsewhere.

Denmark offers much the same sort of assistance through the Topsøe Laboratories in Copenhagen. Topsøe itself is best known for the research it has done in the field of catalysis. But in a number of cases it has proved the means by which a U.S. company has been able to find the research help it needed in other areas in Europe.

Italy offers slim contract research possibilities (except in the universities).

Best bets in the commercial field are groups engaged in petroleum research.

At San Donato, near Milan, there is now a research organization connected with ENI (Ente Nazionale Idrocarburi), the national oil company. Its work theoretically is available only to Italian companies, but in cases where it can be argued that research under contract to someone else will benefit Italian industry as well, ENI has been known to accept such arrangements.

The other possibility open to U.S. companies checking contract research openings in Italy is a joint research venture with one of the Italian companies themselves. In such deals, the cash demands on the U.S. partner are often stiff, and American companies must keep in mind Italy's difficult patent protection system. But some deals with Italian firms seem to have worked out reasonably well for U.S. companies.

Norway and Sweden, apart from the research institutes that are connected with the Royal Universities, offer little place for U.S. companies to have research done. One exception is a small (and highly specialized) research outfit in Sweden known as the Semiconductor Institute. Located in Stockholm, this group does sponsored contract research for a few companies, but it offers only a modest staff of research personnel.

• **American Subsidiaries**—There are a few U.S.-owned research institutes operating in Europe that will take contracts from U.S. companies to handle specific research projects.

Battelle Institute has a laboratory in Geneva, Switzerland, that does a little work of this nature and another in Frankfurt, Germany (pictures). Battelle's policy in its foreign labs has been to favor contracts with foreign companies, however.

This, in part, seems to have been a result of Battelle's conviction that the European scientific community would regard the postwar American research "invasion" with something less than enthusiasm. Battelle has leaned over backward to staff its foreign labs with nationals of the country it is operating in and to do nothing that would arouse the suspicion that Americans were moving in to steal the country's top scientific personnel and industrial secrets.

Through careful maneuvering, the bulk of the U.S. research outfits operating in Europe have succeeded in avoiding the suspicion they had feared from European scientists. They have not succeeded, however, in opening up the path for American companies to ride easily into liaisons with foreign research organizations.

That sort of connection, if reports from early 1959 U.S. representatives abroad prove to be reliable, is going to be harder, rather than easier, to acquire as the months roll by. **END**



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## ARE YOU FASTENING CORROSION INTO YOUR PRODUCT?

Have you ever stopped to think about the important job your fastenings must do? They must "hold it together"—whether you apply them in production or in maintenance. More than any other component—your fastenings should be corrosion-resistant to resist the extremes in heat, fumes, chemicals, moisture and weathering.

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## Dravo begins Pittsburgh's newest bridge

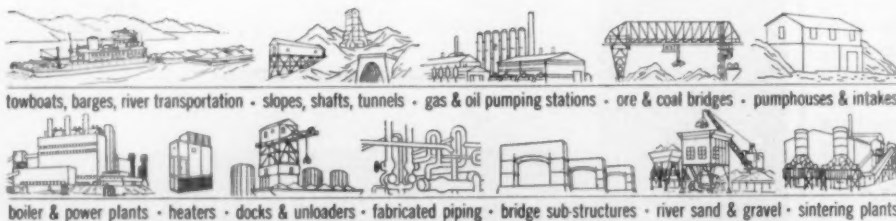
This 113-ton steel and timber skeleton is being lowered to the bottom of the Allegheny River as an early step in the construction of Pittsburgh's new Fort Duquesne Bridge.

The skeleton, which is 90 feet long, 25 feet wide and 49 feet high, will act as framework and bracing for a cofferdam of steel sheet piling. After piling is set and driven, the structure will be pumped out and the foundation prepared for a concrete pier.

Dravo will construct two main and three small piers,

approach supports and retaining walls to serve as sub-structure for the new double-deck bridge. The project is part of Pittsburgh's Point Park road network carrying traffic through the city's new "Golden Triangle."

Dravo's long experience in difficult foundation and construction projects for industry and government can be of great value in your expansion plans for plant facilities. For information on this, or products and services pictured below, write DRAVO CORPORATION, PITTSBURGH 25, PENNSYLVANIA.



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# In Research

• • •

## Hopes of Controlling Cholesterol

### Rise with Testing of New Drug

A drug to control cholesterol, the substance that is suspected as a contributory cause of most heart and artery disease, has been developed by the W. S. Merrell Co., of Cincinnati.

The problem with cholesterol has been that it is essential to some body functions but is harmful when over-produced. So researchers have sought a way to control the depositing of it on the walls of blood vessels and arteries, without blocking its production entirely.

Three years of study indicate that the Merrell drug, MER-29, achieves this goal of cutting off the synthesis of cholesterol at a new point in its long biosynthetic chain, much farther along than any previous break. This means that treatment with MER-29 would not interfere with such other parts of the patient's metabolic system—such as the production of steroid hormones.

Merrell's Dr. Thomas R. Blohm reports drops of up to 62% in the cholesterol level of rats that have been fed MER-29. The cholesterol level in their livers also went down, but most important of all was the 21% drop in cholesterol deposits on the aorta wall.

The next step is test on humans, whose blood system has many similarities of those of rats. The aorta, largest of the blood vessels, is involved in arteriosclerosis.

• • •

## Developments Suggest Triumph Is Near

### In Some Fields of Cancer Therapy

The growing belief that major developments are near in some fields of cancer therapy found new support this month at the annual meeting of the James Ewing Society at New York's Memorial Center of Cancer & Allied Diseases. Among the items reported at the meeting:

- Dr. Wilbur C. Sumner and Dr. Alvan G. Foraker, Jacksonville, reported that cancer has disappeared in a patient who received blood transfusions from a man who had previously recovered spontaneously from the same type of cancer. Both men had suffered from malignant melanoma, a cancer that often originates in moles and is characterized by the dark color of the malignant cells. No virus activity was found in the blood of either man, but researchers say there is every reason to believe that the first patient's blood contained some defense against melanoma and that this was transferred to the other man.

- A simple and apparently successful treatment has been developed for pre-cancerous conditions of the mouth. Mouth cancer, unlike many forms of the disease, almost never occurs in previously normal tissue. Doctors have long suspected that mucosal changes of tissue are fairly reliable forerunners of the approach of both mouth and stomach cancer.

Dr. George S. Sharp, director of the Pasadena Tumor

Institute, concluded from studies of 120 patients that such mucosal changes in the mouth indicated a nutritional deficiency. He felt that if he could clear up the deficiency he might be able to head off the cancer. The usual vitamin treatments were not effective, but Sharp met greater success when he combined the vitamin with a crude mixture including yeast and/or liver preparations. He is making further tests along these lines.

- A Sloan-Kettering Institute research team is working on cancer of the bone, using calcium 47, a new radioisotope that has served to detect and follow the course of other bone diseases. When the isotope is administered to a person, it is taken up by growing bone tissue, just as ordinary calcium would be. And its location can be detected easily by its high energy radiations. What's really exciting in the development is the fair possibility that enough radioactive calcium 47 to cure cancer can be taken up by the bone.

- A new test, requiring only a single drop of blood, that will tell how fast a person is manufacturing red blood cells and how long they live. This test should be of tremendous value in determining the nature of many anemias, including those linked with leukemia and cancer.

• • •

## 4,000 Engineers, Scientists to Work

### At Ford Subsidiary's Research Center

By 1962 there will be 4,000 engineers and scientists working in the \$20-million research center being built at Newport Beach, Calif., by Aeronutronic Systems, Inc., a West Coast subsidiary of Ford Motor Co.

That was one of the details of the center revealed this week by Aeronutronic's Pres. Gerald J. Lynch. He said that 540,000 sq. ft. of the center should be completed by July, 1960, with another 500,000 sq. ft. by the end of 1961. The center, on a 200-acre site overlooking the Pacific, should have 1,200 employees by the end of this year, Lynch said.

• • •

## Scientists Succeed in Finding

### What Makes a Virus Infectious

Two University of California scientists have isolated in pure form the components that make animal viruses infectious. Reporting to the Federation of American Societies for Experimental Biology in Atlantic City last week, the researchers described separating the stripped-down core of a virus—nucleic acid—from polio viruses I and II and two Coxsackie viruses, A9 and A10.

This stride may make it possible for science to attack human virus diseases in new ways. Present methods of fighting virus infections, such as vaccination, involve generating antibodies that assail a virus' protein coat and lay it bare. Some scientists have speculated that it might be much more effective to protect the membranes of the cells the virus will attack. Further experiments with stripped-down viruses should show whether such an approach would work.

# Rockwell Report



by W. F. ROCKWELL, JR.

President

Rockwell Manufacturing Company

**H**OW TO CUT COSTS through standardization of materials, parts, and practices becomes more of a challenge the more you diversify product lines. And the challenge becomes even greater if you are also decentralized from a plant standpoint.

Through a process of "planned trial and error," we have ranged from complete decentralization of standards to complete centralization—at the same time keeping careful records of results.

Too much decentralization of standards work tends to result in almost no standardization at all, while standards passed down as edicts from central headquarters to individual plants usually don't work well, either. The most effective method we have developed so far is a Central Standards Department with "decentralized" representatives in individual plants.

The responsibility of the standards engineer at the plant is to furnish the initiative and uncover the opportunities for standardization, collect the necessary knowledge, and do the detailed work on which standards are based. He must also be a salesman in showing engineering, production, and purchasing how standards can cut costs without lowering quality.

The function of our Central Standards Department is to supervise and correlate the work of plant standards specialists, constantly seeking ways to extend the accomplishments of one plant to others. Recently, for instance, two of our plants, working together, analyzed 123 types and sizes of hex nuts which had been standard inventory throughout the company. They were able to reduce the 123 to only 54, and of these only 27 retained their original specifications. In these two plants, on this one simple item, the resulting saving in cost of nuts used and in assembly time is at the rate of 5,000 dollars a year.

\* \* \*

This month, announcement advertising appears on two new Rockwell Products:

1. New Turbo-Meter, designed to measure up to 15,000 barrels per hour of crude or refined petroleum on pipelines, in loading and unloading tankers, and in petroleum storage operations. 2. New Hypersphere Valve, a compact quarter-turn lubricated spherical valve with full opening round bore to permit line scraping.

\* \* \*

*A Cambridge, Mass., cab driver had as a passenger a young medical secretary paralyzed from the hips down by multiple sclerosis. Her cheerful courage so impressed him that he donated his time to drive her to ball games and other events which she could not otherwise have enjoyed. When she was stricken a second time, and confined to an iron lung, he organized a collection to buy her a radio and TV, and continues to make trips to New York to cheer her in her battle for rehabilitation. It is fitting that a man of that high caliber is the first winner of the Annual Rockwell Public Service Award, established to recognize the unselfish contributions made to their communities by driver-representatives of the taxi industry.*

\* \* \*

Measuring the breath of sheep is the odd assignment for which one of our gas meters was recently purchased. This is part of a very comprehensive study, involving the use of radioactive tracers, to determine the ways in which various drugs are used in or expelled from animal bodies. While this is just a little unlikely to become a volume market, it is, we feel, an interesting testimonial to the sensitivity and accuracy of our meters.

One of a series of informal reports on the operations and growth of the

**ROCKWELL MANUFACTURING COMPANY**  
PITTSBURGH 8, PA.

for its customers, suppliers, employees, stockholders and other friends



## NEW PRODUCTS



### Japanese Detector Sniffs Out 30 Gases

A gas detector that can sniff out 30 different toxic gases and is so simple that any amateur can operate it is the latest piece of precision equipment from Japan. Its principle is much like the indicators used in chemical labs, which change color to indicate a particular reagent. In the Japanese detector, the operator has only to pump a sample of air through a tube previously inserted into the pump-detector. If any toxicity is present, the chemical reagents in the detector tubes will color. The amount of color, and the brightness, indicate the degree of toxicity. To test for any one gas merely requires selecting the right detector tube and inserting it. Accuracy of the detector, at 68°F, is considerably better than any squeeze bulb detector, according to Union Industrial Equipment Corp., the U.S. company that imports the device. Called a Kitagawa Precision Gas & Vapor Detector, the device sells for \$80 with a box of tubes.

### One-Bath Process Speeds Film Developing

Developing films will be radically simplified by Unibath, a one-step processing solution that does away with the need for three temperature controlled baths—developer, stop solution, and fixer. The chemical was evolved by Cormac Chemical Corp., New York, a subsidiary of Cormac Photocopy Corp.

Several years of research went into finding a one-bath process that could combine developer and fixer in one solution without losing film speed or fogging the negative. Now Cormac claims that Unibath will produce negatives and prints at least equal in quality to conventional processes.

• **Eight Formulas**—Unibath comes in



*The Impala 2-Door Sport Coupe with Body by Fisher.*

## CHEVROLET

*As fine a car as anyone (including wealthy people) could want*

*Lots of style here. Lots of room. Really remarkable riding comfort. And power to please your preference — with the industry's widest choice of engines and transmissions to choose from. Plus those special Chevy virtues of economy and dependability. Naturally, this leads more and more owners of other makes — high as well as low priced — to trade for new Chevrolets.*

*Your Chevrolet dealer will be glad to show you these special Chevrolet advantages:*

Slimline design—style that's fresh, fine and fashionable.

Roomier Body by Fisher—new in everything but its famous soundness.

Magic-Mirror finish—shines without waxing for up to three years.

Sweeping windshield—and bigger windows—all of Safety Plate Glass.

New, bigger brakes with better cooling for safer stopping.

Hi-Thrift 6—up to 10% more miles per gallon and finer performance.

*The car that's  
wanted for all its worth!*



*Chevrolet Division of General Motors, Detroit 2, Michigan*

**THE MIRACLE OF NATURAL GAS:**

# **Who paid for it?**



# ? Who owns it today?

**N**ATURAL gas used to be just an oil country disposal problem — something to be “flared-off” . . . burned away. Today it's a miracle of usefulness; taken for granted by the millions whose homes it heats, whose food it cooks, whose convenience it guarantees.

**Who paid for this miracle?** Who took the risks? Who put up the ingenuity and effort that would turn a disposal problem into a nation's servant?

Free men did it! Engineers, scientists, pipeliners, thousands of others. There were production and transmission companies — and gas utilities. There were investors whose cash financed the building of pipelines and other facilities, adding up to more than \$17-billion.

**Who owns this miracle?** Who stands to profit from the ever-growing values and uses of natural gas?

Millions own it! To start with, the companies that comprise the natural gas industry are owned by 750,000 share-holders. And this does not include the *millions* of indirect owners — whose investment is made by insurance companies, pension and other funds. Every American has a share in the profits — through the \$833-million in state and federal taxes paid out annually by the natural gas industry.

**The miracle of natural gas** is infinitely important to us all. It is well worth protecting with a climate of opportunity—a climate in which free men may continue to explore and extend the wonder-working prospects of natural gas.

**A. O. Smith serves the natural gas industry**—with deep-well casing, line pipe, welding supplies, pressure vessels . . . and natural gas users — with famous *Permaglas* water heaters, furnaces and boilers for the home, *Burkay* water heaters for industry. Write for free bulletin B-105.

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Summer or winter the car with plenty of Stainless Steel is easy to clean and keeps its good looks under the roughest conditions of driving and weather.

No other metal offers the freedom of design and fabrication, economy of care and the durable beauty that serves and sells like Stainless Steel.

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**McLOUTH STAINLESS STEEL**  
HIGH QUALITY SHEET AND STRIP  
for automobiles

eight different formulas for varying types of film and conditions of exposure: (1) standard films, normally exposed; (2) under-exposed or available-light photography; (3) development of prints; (4) X-ray films; (5) lithographer's films; (6) motion picture positives; (7) microfilm negatives; (8) films and papers for oscillograph and line-recording pictures.

The new solution develops a normal roll of film in six minutes; then action stops, and the film may be safely left in the bath for an indefinite period. Most of the developing action takes place in the first 45 seconds, but developing and fixing actually go on simultaneously. This means that developing by inspection—giving film repeated baths in developer until the desired density is reached—is impossible with Unibath. Inspection is preferred now in professional photography; so Unibath is expected to find its greatest appeal in amateur and industrial photography.

• **Room Temperature**—No thermometers are needed with Unibath, which will work at room temperatures from 68 to 85F. After developing, films need be washed for only five minutes, according to Cormac.

Unibath will cost about \$2.25 a quart—roughly the same as the equivalent three solutions needed for conventional developing. The first three formulas have just gone on the market; the others will be available in about three months.

## Plastic Tape Preserves Image of Electric Waves

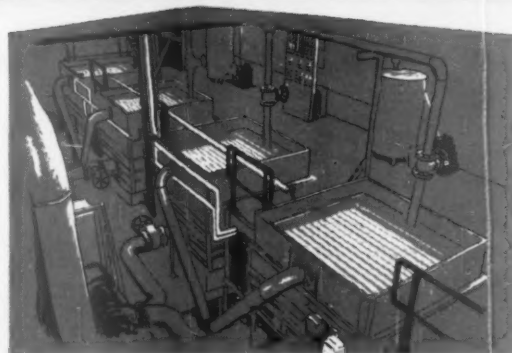
One electrical recording instrument may make several others obsolescent if a new device called Datascope lives up to its promises. The manufacturer, Microsound, Inc., of Los Angeles, claims it can take the place of devices that track electric waves visually, like an oscilloscope; in writing, like a pen-recorder, and photographically. In addition, Microsound claims, Datascope will work with electric waves produced by a wider variety of phenomena.


Datascope records data permanently on mylar or other plastic tape with a jeweled recording head, in an electromechanical process somewhat like cutting a record. Side-to-side movement of the head and forward movement of the tape burnish a microscopic groove into the tape in the form of wave lines. A pulse-timing head records a visible time blip on the tape at intervals ranging from 1/10 to 1/10,000 of a second to make it easier to find data after recording.

From the recording head, the tape moves past a lens that will project the wave image on a window like that of

POSITIVE CONTROL OF MATERIALS IN MOTION  METERS FEEDERS CONTROLS

## How to "Polish" Water ECONOMICALLY!



 *Proportioneers* integrated filtration system for large swimming pools . . . cuts installation and maintenance costs.

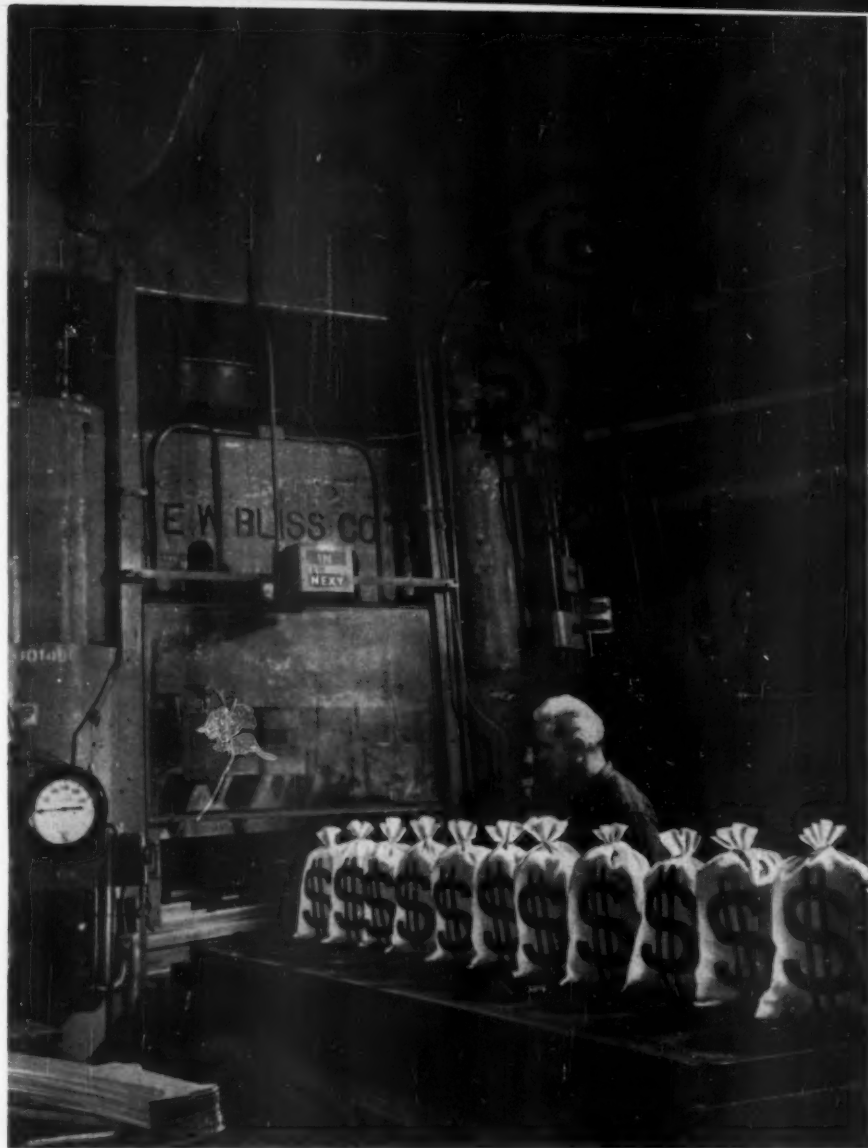
**CORROSION-PROOF FILTERS!** 1,500,000 gallons of water in a large, new municipal pool, continuously filtered through trouble-free, corrosion-proof filters, are "polished" more sparkling clean and safe than drinking water. Result: reduced pool maintenance costs.

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**FILTRATION PROBLEMS?** Here as in all industry, B-I-F provides process instrumentation and equipment for *positive control of materials in motion*. If you have a blending, feeding or filtration problem, write **B-I-F Industries, Inc., 549 Harris Avenue, Providence 1, R. I.**



**B-I-F INDUSTRIES**  
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New York 16 • Philadelphia 2 • Pittsburgh 19  
Portland 4, Ore. • San Francisco 4 • Seattle 1



an oscilloscope or, with the help of attachments, directly on a wall screen. The tape is then wound on a spool, from which it can be removed for future reference.

• **Speedy and Simple**—Microsound says Datascope provides an easier and more economical way to preserve data than other methods. Photographing oscilloscope images is slow and costly, and using a pen recorder is very slow. The Datascope will handle waves of up to 5,000 cycles per second; a magnetic memory attachment (which Microsound won't talk about) will step up capacity to 200,000 cycles. It's possible to learn to operate the Datascope in 20 minutes, against two hours for an oscilloscope, the manufacturer says.

Price of the Datascope is about \$650 without accessories; Microsound expects the magnetic memory unit to cost less than that. Comparable oscilloscope prices are \$300 to \$500, plus \$200 to \$800 for photo equipment to make a permanent record, according to Microsound. Like the oscilloscope, Datascope can be used to measure any physical variable that can be made to produce an analogous electrical change, such as optical, acoustical, chemical, and thermal variables.

## NEW PRODUCTS BRIEFS

**Two-story moving vans:** A new flourish added to the tie-down fixtures with which movers secure their cargo allows the installation of floor beams to make a second story in the trailer. Rows of flush mounted tracks on the walls of the van receive the steel end sockets of 2x4 beams to support the second floor; special tie-down fittings can also be hooked into the tracks. The system was developed by General Logistics Div. of Aeroquip Corp.

**Sound proofing paint** that cuts noise levels in a room by at least 10 decibels is being marketed by Acoustic Chemical Corp., New York. The sound absorbent quality comes from minute granules mixed in the alkyd-latex paint, which is odorless and brushes on readily. It comes in 10 colors and costs \$8.70 per gal.

**A sponge-like foamed metal** that is nine times lighter than the solid form of the metal has been developed by GE's Flight Propulsion Lab at Cincinnati. The foamed metal, called F-alloy, can be moulded to any shape, can be machined. It's expected to find wide uses in jet engines—for seals, high temperature filters, and insulation—and as filler in sandwich-type metal structures.



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FROM 3M RESEARCH

# RUGGED RIBBON SEALS OUT WEATHER

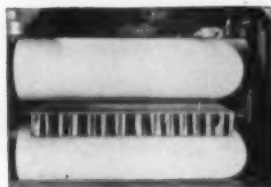
Lots of people talk about the weather, but 3M Research does something about it.

For example, 3M Brand Ribbon Sealer turns your product into a weather-tight package for years! Sealer EC-1202 keeps destructive water, dirt, moisture, dust from penetrating seams between metal and metal or metal and glass surfaces.

It stays flexible, yet won't shrink or stretch. Serves as anti-squeak buffer, too. And it goes on quickly to speed production, cut costs.

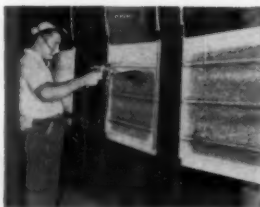


**3M ADHESIVE PRODUCTS** extend into a variety of industrial applications. In fact, Adhesive EC-1357 actually makes certain sandwich structures possible. This versatile adhesive bonds all kinds of non-loadbearing sandwich panels. It offers high bond strength, resists high and low temperatures and moisture, withstands the extremes of weather indefinitely.



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Add up the advantages 3M adhesive products offer, whether you work with automobiles, trailers or appliances. Whatever your sealing, bonding or coating problem, look to 3M for the solution.



**WHITE GLOVE** proves weather-tight seal of 3M Brand Ribbon Sealer, EC-1202, prevents blast of steam and dirt from penetrating metal-to-metal seam.

**SEE WHAT 3M ADHESIVES CAN DO FOR YOU!** Call your 3M Field Engineer. Or, for free literature, write on your company letterhead to 3M, Adhesives, Coatings, and Sealers Division, Dept. YA-49, St. Paul 6, Minnesota.

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## COMPANIES

# Factory Quiz for Sales Trainees

How not to do a job is shown in these pictures of materials handling at the Elyria (Ohio) plant of Colson Corp. If you go over them and spot the errors, you may conclude that Colson needs a new plant manager. But the company does know what it's doing:

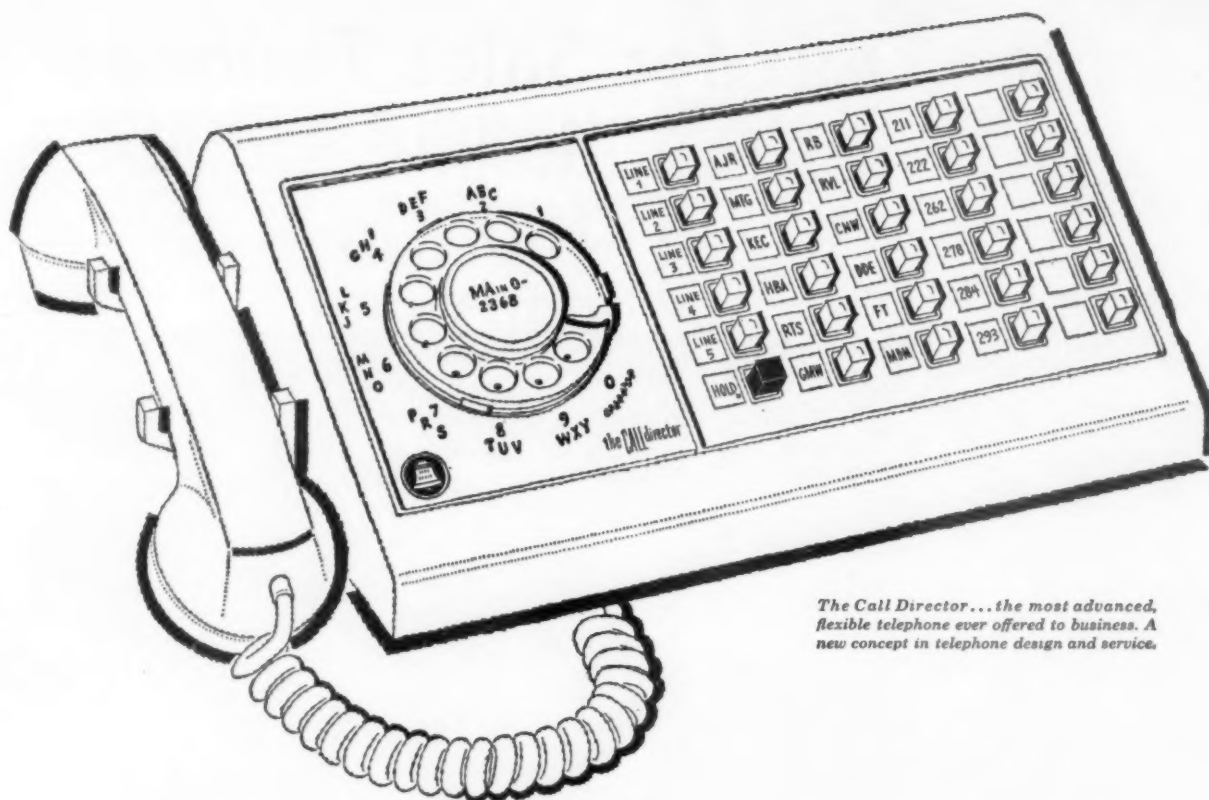
Colson makes materials handling

equipment, and the men in the pictures are 12 junior salesmen taking a test of their on-the-job training. The errors were deliberately set—though some occur in many factories—to see how many the men could spot. On the job, they're expected to notice such things in a customer's plant and sug-

gest better methods and equipment.

In case you'd like to see how many mistakes you can recognize, captions have been left off the six pictures on this page and the next, which contain at least five examples of the wrong way to handle materials. They're identified at the bottom of the next page, with





*The Call Director...the most advanced, flexible telephone ever offered to business. A new concept in telephone design and service.*

**Q.** What's Western Electric's big job in the Bell Telephone System?

**A.** Since 1882 we've been providing ever-improving telephones and telephone equipment...that's our main job as the manufacturing and supply unit of the Bell System.

**Western Electric**

MANUFACTURING AND SUPPLY



UNIT OF THE BELL SYSTEM

the salesmen's scores to give you an idea of how hard they were to spot.

• **New Kind of Training**—The dozen salesmen—some employed by Colson and some by its dealers and distributors—are the first to get a new kind of training. They go right on the job after a minimum of rudimentary instruction. After at least six months' experience, they then spend two days at each of Colson's plants in Elyria; Jonesboro, Ark.; and Somerville, Mass., for formal training including this quiz session. Colson, which makes hydraulic and power lifts, skids, dollies, hand trucks, casters, and hospital vehicles, used to provide extensive training before the men started work. But it found they didn't know enough about plants or problems to ask good questions. Officials say the value of the new system is proved just by the men's reactions to the more than 20 errors in this test.

• **The Answers**—Here's what's wrong in the pictures, and how to correct it:

Using a chain sling to lift steel sheets  
**1.** may bend the sheets or chew up their edges. The right way to lift them is to use a crane with a bundle grab—something like a steamshovel bucket with teeth or arms that slide under the material to be lifted. Colson does not make bundle grabs, but its salesmen are still expected to suggest correcting the error. Nine of the 12 caught it.

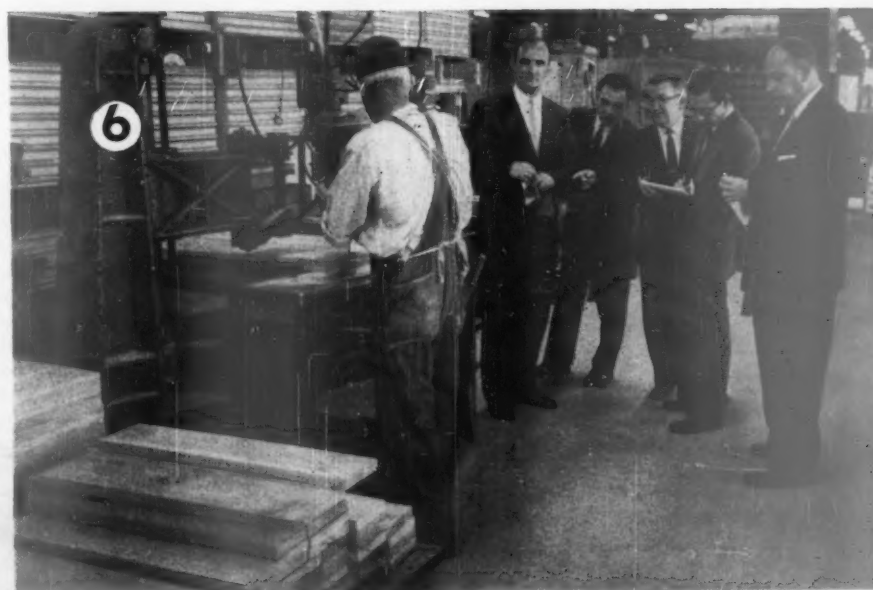
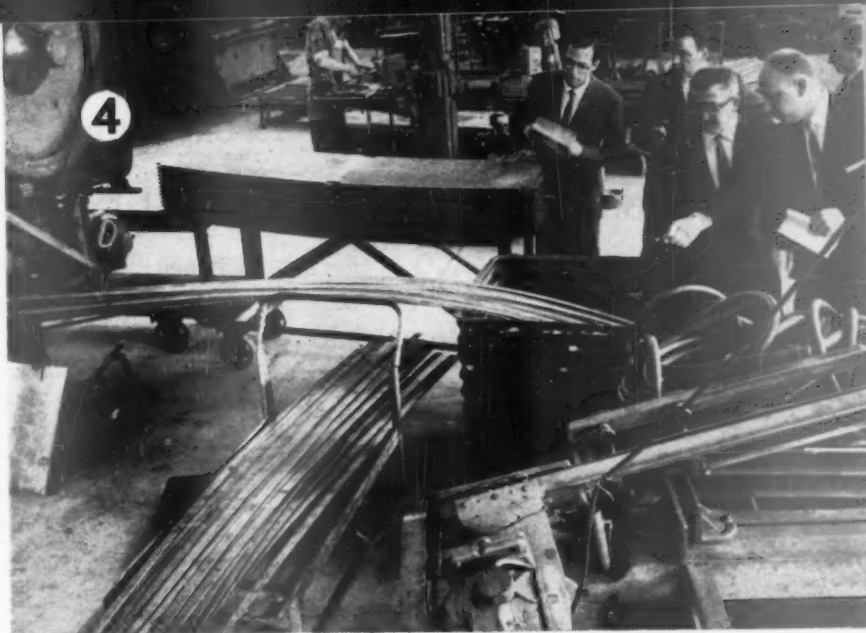
This spot-welding job is placed too low  
**2.** for convenient working and must be turned by hand for each weld of metal strip to the container on the floor. The container should be placed on a platform dolly so it would be at a better height and could be turned on the dolly wheels instead of its own base. Nine of 12 were right.

Using men to feed steel sheets into a  
**3.** shear means wasted—and strained—muscle power. A hydraulic lift table that raises one sheet at a time and slides it into place would eliminate the need for a man other than the shear operator. All 12 knew this.

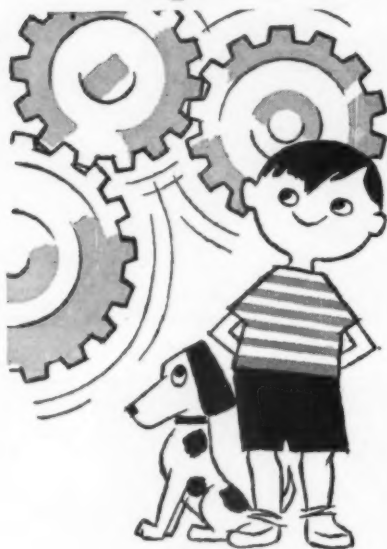
Strip steel hanging out of a box skid  
**4.** (upper right) is hard to balance and can fall out. A truck like the one in the center is closer to the correct method because the handles help keep the strip from shifting. But it would be even better to use a stake truck—a pallet with stakes at the four corners that keep the load in place. Only three salesmen spotted the error and knew how to correct it; the wrong way is commonly used.

It's your mistake if you found some-  
**5.** thing wrong here. Using a rope sling to lift this kind of assembly is correct—it's safe and efficient. Two of the 12 salesmen thought there was something wrong.

A die table is too expensive to be used  
**6.** as a base for drilling, which might damage it. It should be restricted to moving and storing dies, for which it has lift features; for drilling, use a workbench. Only six of the 12 salesmen spotted this misuse.



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## TRANSPORTATION

# Carrier Bows to Its Market

Western Pacific RR, in tailoring its schedules and fashioning its equipment to the needs of its customers, is applying the marketing concept to a service industry.

On a railroad, the operating vice-president is a key man. He and his department decide where and when the trains will run. Once schedules are set, it's up to the traffic men to fill the trains with cash customers and freight. So goes the century-old tradition.

Western Pacific RR in San Francisco is reversing the tradition. The railroad is finding out first what the customers want, then fashioning its product to meet the need. It's the total marketing concept adapted to a service industry.

• **Pushing a Trend**—To some extent, many railroads in recent years have been tailoring their product to the market as they felt the hot breath of highway, air, and waterborne competition on their necks. That's why piggyback was born.

By and large, though, none has made the clean break with tradition that Western Pacific announced in a formal policy declaration on Jan. 1. Said Pres. Frederic B. Whitman: "Western Pacific is now running trains that are virtually scheduled by its customers."

Whitman cheerfully committed the semantological heresy of expunging the word "traffic" from the railroad's vocabulary. The old traffic department became the marketing division. To their voluble horror, traffic managers became sales managers; freight agents became salesmen. The "vice-president-traffic," Malcolm W. Roper, became "vice president-marketing," with the responsibility of translating the fresh policy into action.

• **Timetable**—Jan. 1 was the kickoff date. But Whitman and Roper had been leading up to the new philosophy for several years. A couple of years ago, they induced a freight car builder to come up with a cushion underframe for cars carrying fragile freight. This reduced damage claims on curved windshield glass from \$52 to 62¢ per car. To accommodate one customer, Fibreboard Paper Products Co., they modified some gondola cars to carry wood chips in a volume that justified a lower freight rate. They devised a configuration of interlocked packing cases that enabled California food canners to ship their product without pallet boards at reduced freight cost.

Last fall, they buttonholed Vice-Pres. H. C. Munson about freight schedules. As general manager and

head of the operating department, Munson is the key man on Western Pacific which runs the trains. At that time, perishables were moving from San Francisco to Chicago under a guarantee, backed by a penalty clause, of sixth-morning delivery. When the smoked cleared, Western Pacific was spotting reefer cars at consignee docks in Chicago on the fifth morning. The 24-hour saving on fresh produce means dollars to shippers.

On westbound freight, Munson was able to duplicate that performance; in some cases, they even cut it back to fourth-morning delivery in the San Francisco area.

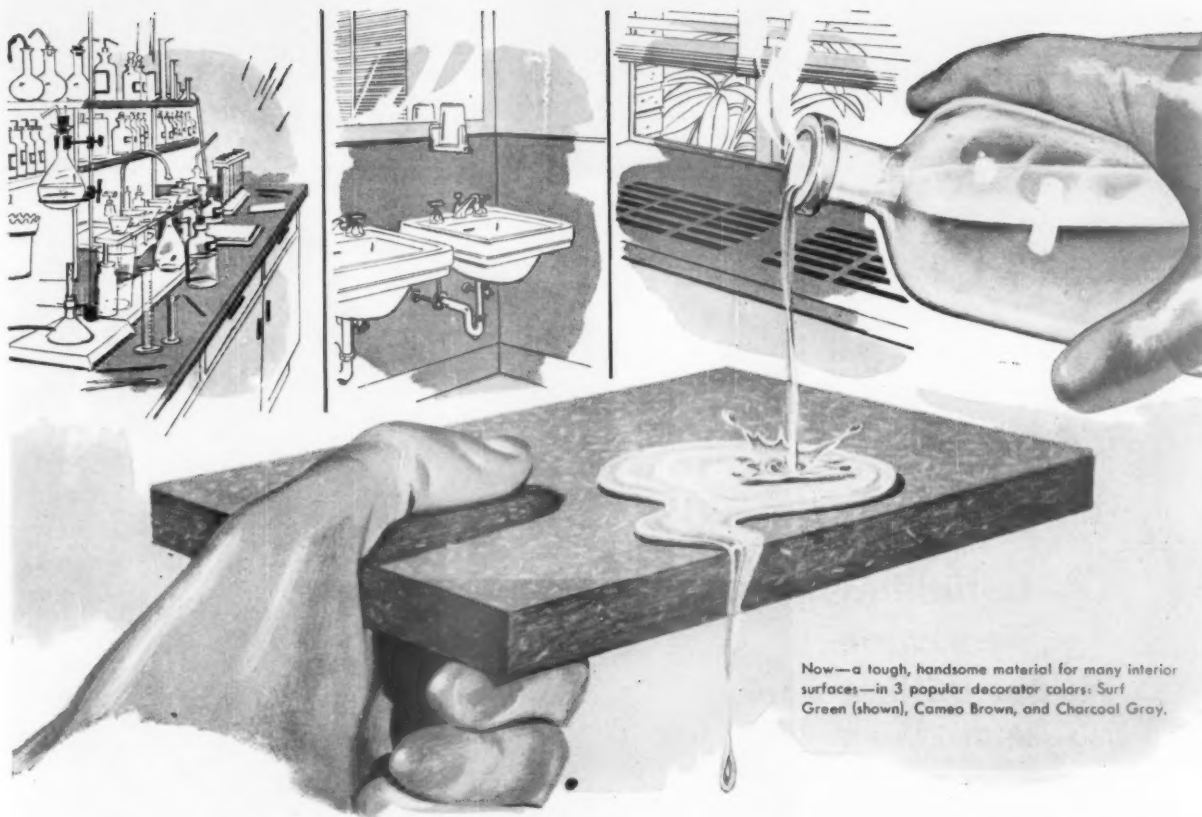
• **Test Runs**—For a number of reasons, WP was slower than some carriers to embrace piggyback. But the railroad conducted extensive experiments on its own tracks. By last month, when Roper was ready to give piggyback a real push, Munson was able to give him a mid-night-to-midnight schedule between the Bay Area and Salt Lake City. Even the California Zephyr, Western Pacific's showcase passenger streamliner, doesn't beat that by much.

• **Chief Engineer**—Converting the traffic department into the marketing division was no mere exercise. Whitman translates "marketing" in its broadest sense to encompass product research, design, fabrication, market research, distribution—the product in this case being a transportation service. And he gave Roper the power to breathe life into the total marketing concept.

At 53, Roper has spent two-thirds of his life at Western Pacific. It was no secret to him that railroads cherish their traditions. Still, a tyro couldn't have flouted them more.

The old Bureau of Freight Rates & Divisions, a classic of ambiguity to anybody but a railroader, emerged from his reorganization as the pricing department. Its people still have to wrestle with the complexities of freight rates and how to divvy up the revenue dollar with the other railroads in interchange service. But their job after all is to put a price tag on the product. Ambiguous job titles yielded to "director of pricing" and "pricing manager."

Market studies dictated decentralization of sales activity. Roper appointed two assistant vice-presidents of sales—one in San Francisco to supervise West-



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For complete information on Colorlith or all the J-M Board Materials—with names and addresses of nearby suppliers—write to Johns-Manville, Dept. B-1, Box 14, New York 16, N. Y. In Canada: Port Credit, Ontario.

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machines also isolate the cards that represent delinquent loans—a very accurate way to keep tabs on past-due accounts. The form is a Moore Speediflo, the bank's control in print.

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ern activities, the other in Chicago to handle the mid-continent and the East. Directors of pricing were appointed in both cities also.

- **Trouble Spotters**—As traffic vice-president, Roper had access to the research department's transportation engineers when he ran into tough customer problems in materials handling, packaging, loading, bracing. They were available on a project basis. They came in to put out existing fires. As marketing vice-president, he created his own market research department with his own engineers to keep the fires from getting started. With their broad experience, they can spot incipient customer problems before they get too serious.

- **Horn Tooting**—It's too early to look

for results from Western Pacific's new approach to how to run a railroad, although first-quarter returns—revenues up 11%, net profits up 114%—put a deceptively bright shine on Roper's labors.

Whitman has set as his 1959 goal an average of 120 cars a day more than in 1958. That's a 20% increase—from a not very lofty base. In gross revenues, that would come to \$56.3-million as compared with \$52-million last year.

If Whitman is wrong and if the prophets of doom are right in predicting the gradual eclipse of the railroads, you can bet on one thing: The Western Pacific will go down with its diesel horns blaring.



## Helicopter Big Enough to Pay

With capacity for 25 passengers, the new Sikorsky S-61 helicopter in the picture above is contending for the role of aviation's first true "helibugs."

The S-61's top speed will be in excess of 150 mph.—which should be a boon to operators interested in extending the range of their helicopter service. The new jobs are expected to cost roughly \$500,000 each. First deliveries are slated for 1961.

First flight of the S-61 is scheduled for early next year. The model in the picture is a full-scale prototype built for display at the International Air Salon in Paris in June. It is not designed to fly.

Los Angeles Airways, which has signed a letter of intent for five S-61's, figures the new craft will cost half as much to operate as existing equipment.

- **Potent Engines**—Most of the S-61's added muscle for hauling passengers comes from its three high-thrust gas turbine engines. The third power plant is included to make sure the helicopter

could get back onto a postage-stamp-size landing field if one of the other engines failed. It would also provide extra power needed on summer days when heat thins the air.

However, the third engine may ultimately prove unnecessary. General Electric, which makes the engines, has improvements in the works that might enable a two-engine package to supply enough power for all the S-61's requirements. Chicago Helicopter Airways is currently debating which engine arrangement is most suited to the S-61 operations it is pondering.

New York Airways is also considering the purchase of S-61's to complement the 65-passenger Fairey Rotodynes it plans to buy for longer hauls.

Vertol Aircraft's 107 turbine helicopter, already building for the military, is also vying for commercial jobs. In its civilian version it would carry 25-30 passengers. Both New York Airways and Los Angeles Airways are reportedly also considering it. **END**

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INFORMAL receptions give International Chamber of Commerce delegates a chance to trade ideas and opinions. It's the first session to be held in U.S. for over 20 years.

# Talking

International Chamber of Commerce meets in Washington to try to "talk out" differences among non-Communist nations.

Because Washington comes close to being the capital of the free world, it plays host to many an international gathering where official representatives from non-Communist nations discuss a variety of specific military, political, and economic problems.

This week, businessmen of the free world gathered there at the 17th biennial congress of the International Chamber of Commerce. They went the diplomats and soldiers one better; some 2,000 business executives from more than 50 countries went into a week-long confab that covered just about every nonmilitary problem that faces the free world today.

• **Topics**—At midweek it wasn't at all clear that this session, the biggest in ICC's 40-year history, would get very far in finding answers to the questions under discussion. National differences quickly showed up, just as they did recently in the NATO meeting held in Washington, as ICC's delegates, espe-



U.S. HOSTS Philip Reed (left) of General Electric and Philip Cortney, of U.S. Council of ICC, compare notes.



BRITAIN'S J. L. S. Steel of Imperial Chemical Industries predicts close British ties with European Common Market.

# World Business Issues

cially in corridor talk, tackled tough questions like these:

- How to achieve economic growth without inflation.
- How to forge a real partnership between the advanced industrial nations and the newly developing ones.
- How to maintain reasonable freedom of trade in the face of developments like the European Common Market and a strengthening of protectionist sentiments in the U.S.

These were the real issues in the minds of most delegates. And, not unexpectedly, some sharp differences emerged among various national groups.

• **Generally Optimistic**—To be sure, some of the differences tended to get submerged in the general optimism of the gathering. Nearly all of the delegates seemed confident that "the recession is over." Many freely predicted a new upturn in international trade and investment.

Others stressed the growing economic competition with the Soviets—the specter of Russian penetration into Western markets and of increased Communist activity in the underdeveloped countries. This feeling ("if we don't hang together, we surely will hang separately") also tended to reinforce

the general support for liberal trade and investment policies that ICC expects from its members.

• **Touchy Issues**—In the corridors and bars of the Sheraton-Park and Shoreham hotels, if not on the platform, some of the differences came into the open. For example, there were spirited exchanges over some aspects of U.S. trade policy.

General Electric Co.'s Philip D. Reed, a former ICC president, and West Germany's Hans Boden found themselves poles apart in a private chat about the efforts U.S. producers of heavy electrical equipment are making to get quotas against imports from Western Europe.

Boden, himself an electrical equipment maker, cited the push in this country for "specific quota restrictions on defense grounds" as one of the main worries of many European delegates. Reed, on the other hand, deplored what he called "widespread misunderstanding about the purpose and need for national security protection."

Asked about German restrictions on coal imports (sometimes defended on similar grounds), Boden argued that it is impossible to compare trade problems involving primary products with those



**PORTUGAL'S** Carlos Mantero becomes candidate for president—a compromise between British and West Germans.



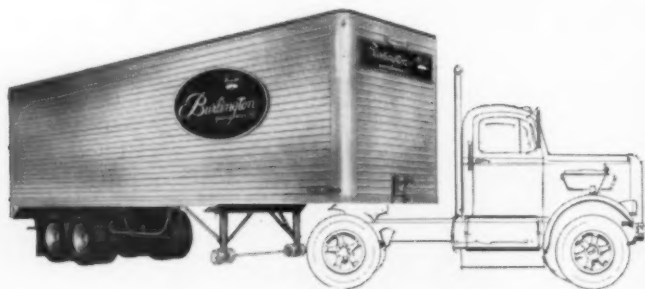
**WEST GERMANY'S** Hans Boden finds Common Market like marriage: "One pays less attention to former fiancées."



**INDIA'S** M. R. Ruia hopes to tell the delegates "the story of potential investments profits" in his country.

## Another Trailmobile

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Movement of goods—now the third largest cost in business—is also one of the few areas where savings can still be achieved. For example, the Trailmobile dry freight van illustrated here is currently saving money for thousands of shippers by (1) providing exceptional cargo space in (2) an easier-to-load van that (3) is engineered to keep maintenance costs low. ■ These advantages stem from a unique manufacturing concept that produces standardized interchangeable components for design flexibility—at unusually low cost. Your nearby Trailmobile representative is prepared to show you how this is accomplished.

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**"... delegates expressed relief that 'everyone knows that the Free Trade Area is dead' ..."**

**STORY starts on p. 104**

that arise in the case of manufactured goods.

Such interchanges explain why ICC as a body keeps clear of such a specific and touchy issue. But some delegates predicted this week that the International Chamber will find some way of pressuring for a reduction in all "nationalistic reservations in government purchasing policies." These delegates were referring to buy-American, buy-British, buy-Belgian, and similar laws and regulations.

• **Common Market**—The recent fight between London and Paris over the British-sponsored Free Trade Area scheme was in the back of everyone's mind. Some delegates expressed relief that "everyone knows that the Free Trade Area is dead"—so governments can now work on another scheme that would associate Britain and the FTA group with the Common Market. In fact, a study of this problem got under way at the meeting.

But every delegate knew that all feeling between Britain and the Common Market group was strong enough even within ICC to derail the election of Britain's J. L. S. Steel as the new chamber president after he was challenged for this post by Boden of West Germany. It was this scrap within ICC that put a compromise candidate into the president's chair—Portugal's Carlos Mantero.

It isn't just the British who are bothered by the closed-market tendencies that are developing in the six-nation European Community. U.S. and Japanese businessmen also were expressing concern this week. "If the Common Market really promotes liberal trade," said Japanese delegate K. Shibasaw, "we will be very happy. It remains to be seen."

Several delegates predicted that if West Germany's Minister of Economics Ludwig Erhard should succeed Adenauer as Chancellor there would be a good chance for a compromise with Britain and for reasonably free trade between the U.S. and Western Europe. There was even a suggestion at the congress that the U.S. and Canada should become full members of the Organization for European Economic Cooperation, so that Washington could gain real leverage on Western Europe's trade policy.

• **Financing Deals**—On the monetary policy to be followed by non-Communist governments, there's not the same

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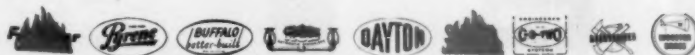
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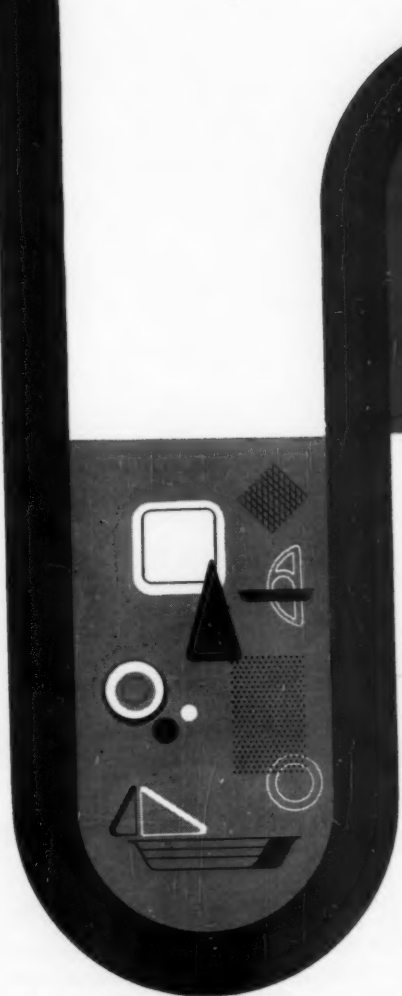
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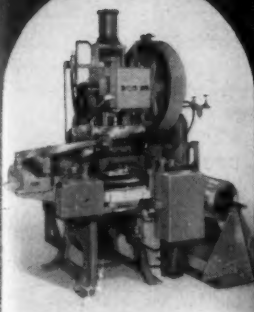
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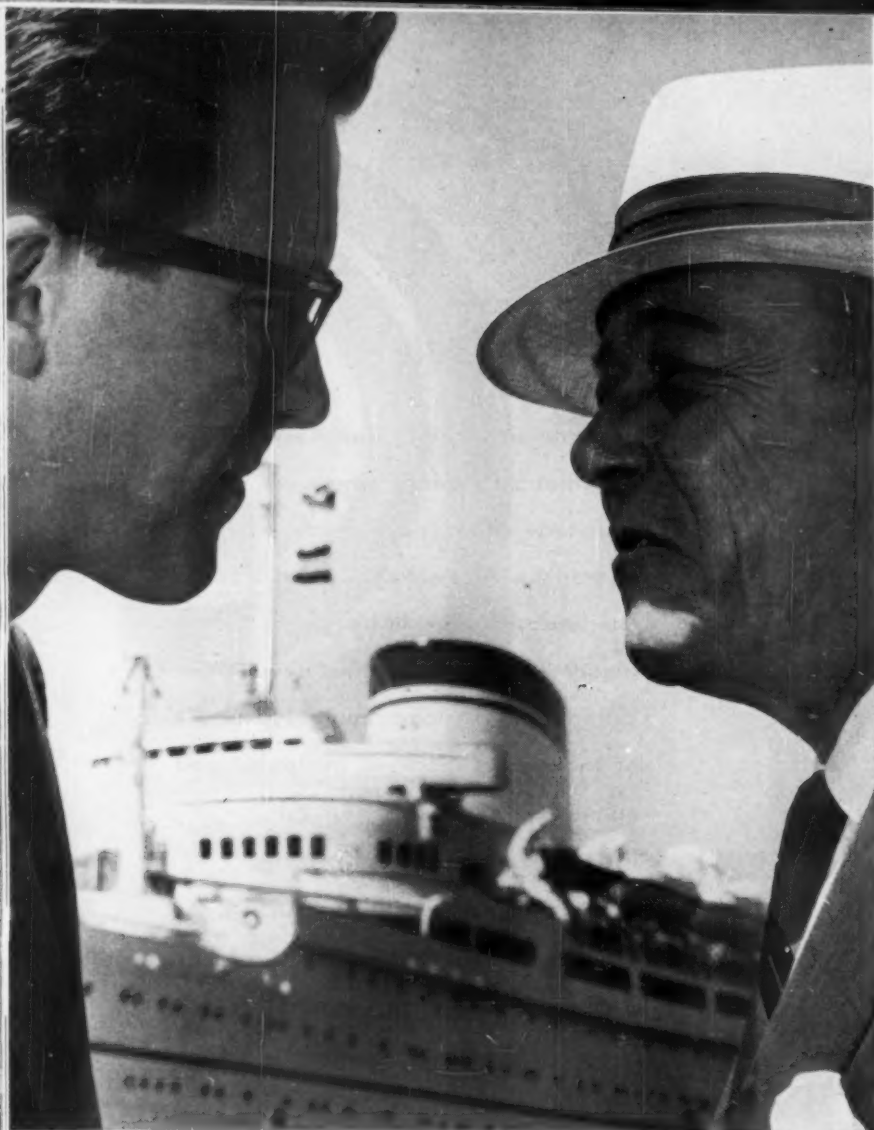
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**"... a dozen other questions came up—such as U.S. investment inside the Common Market ..."**

STORY starts on p. 104

division of opinion within ICC—at least not among the delegates from the advanced industrial countries. In resolutions passed at midweek, the chamber called for greater freedom from government control for all national central banks, denounced the practice of financing deficits through borrowing, and urged private financial institutions to avoid "inflationary tendencies."

Some of the delegates from the underdeveloped countries weren't too happy with this orthodox approach. They fear that it may hamper the efforts of their governments to get liberal government loans from the U.S. and Western Europe.

However, the Indian delegation concentrated its main efforts on attracting private foreign investment. Some of the Indians are staying on after the conference to sell American industry on what they regard as "profitable investment opportunities" in India.

A dozen other questions came up, either in committee meetings or private talks—such as U.S. investment inside the Common Market, and the rebirth of cartels both in Western Europe and Japan.

• **Wit and Wisdom**—From the platform, the delegates even got some economic wisdom, and some wit, from the British economist Sir Denis Robertson. At an early session, Robertson questioned whether ICC could ever hope to achieve its goals, which he paraphrased as "stability and freedom." He suggested that these two might be incompatible when applied either to monetary policy or to trade policy. And he drew a laugh from his audience when he quoted Adam Smith to the effect that whenever businessmen sit down to eat together the consumer pays the bill in rising prices.

• **Extra Curriculum**—Not all the delegates had weighty problems on their minds. One Dutch businessman said that he came to the Washington congress solely to attend the technical session on customs and freight problems. Another delegate said he came to "find out what people are thinking about."

Many of the visiting industrialists are combining a day or two at the ICC session with down-to-earth business visits in this country. Thus, the president of France's Simca automobile company, Henri T. Pigozzi, is here to iron out details on Chrysler Corp.'s participation in a new offering of Simca stock (page 112). **END**

The men of SHARONSTEEL...they make quality a tradition



PHOTO BY KAREH OF OTTAWA

## "Teemwork" to John Cole Means Checking Top Hats!

By checking top hats John Cole plays a major role in helping Sharon make better steel. John works on the teeming floor, which is the steelman's way of saying he pours molten steel from ladle to ingot moulds.

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# In Business Abroad

• • •

## Russia Shipping Small Cars to U.S.; So Dealers Can Make Suggestions



The Soviet Union is planning to dip its toes in the U.S. car market. According to Amtorg—the U.S. branch of the Soviet state trading organization—a batch of new Moskvitch-407 models (picture) will be shipped to this country to give American dealers an opportunity to inspect them. Those who are interested in selling the small car can recommend changes to make it suitable for U.S. buyers.

No price tag has yet been attached, but Amtorg officials say the "price will be competitive with other foreign makes, such as the Czechoslovakian Skoda". The Moskvitch, which has a station wagon sister model, is a four-door four-seater. It's powered by a four-stroke, four-cylinder overhead valve engine. With three forward speeds, the car is designed to operate efficiently on gasoline with an octane of about 72.

• • •

## Elbowed Out of Iraq, Britain Turns To Increased Trade With Egypt

With Iraq turning into a Soviet satrapy, Britain is focusing more attention on Egypt. This week, the British government's Exports Credits Guaranty Dept. resumed insurance coverage on British exports to Egypt. Coverage was suspended on Aug. 2, 1956, immediately after Egypt seized the Suez Canal and nationalized the Suez Canal Co.

Resumption of credit guarantees follows financial agreement between the London and Cairo governments, under which Britain acquired financial information on Egyptian buyers. On the basis of this data, coverage will be given export contracts or shipments starting this week. But holders of comprehensive guarantee policies will get cover on contracts already concluded, provided the goods have not yet been shipped.

Meanwhile, Baghdad has taken another swipe at British business (BW—Apr. 11, '59, p. 77)—and at the Tel Aviv government—by slapping an embargo on chemical im-

ports from Britain's giant Imperial Chemical Industries Ltd. (ICI). Confirming the prohibition this week, ICI's London headquarters said the ban was enforced because ICI sells also to Israel.

An ICI spokesman declined to spell out how much ICI sells to Iraq, but he called the trade "quite reasonable." He added: "We very much regret loss of this market, which we have had for about a quarter of a century."

• • •

## Simca Plans to Double Its Capital Via Offer of Rights to Stockholders

Like most French car makers, Simca—Chrysler Corp.'s partner in the Western European Common Market—finds itself in a fix. Export sales are booming, and domestic demand is outrunning supply. So Simca is offering its shareholders rights to buy an additional share of its stock for each share held. This way, the French manufacturer is counting on doubling its capital from the present level of approximately \$33.7-million to nearly \$68-million.

The additional cash will go into expansion of production facilities at a new plant outside Paris and into the Simca sales and service organization throughout the world.

A spokesman for the French company said it fully expects the vast majority of its stockholders, including Chrysler (25%), to exercise their rights. Some observers feel, in fact, that Simca was pushed into expansion by Chrysler, which is obviously well pleased with its European marriage.

The Chrysler-Simca link, which resulted from the U.S. auto maker's purchase of Ford of France's interest in Simca (BW—Aug. 9, '58, p. 66), provides for close cooperation in sales efforts outside France. Chrysler, for instance, markets Simca's cars in the U.S., Mexico, and Canada; Simca sells Chrysler's models in Belgium. In other countries, the two companies are fusing their marketing organizations under either the Simca or Chrysler banner.

• • •

## Three-Way Loans Provide \$70-Million For Drive to Salvage Southern Italy

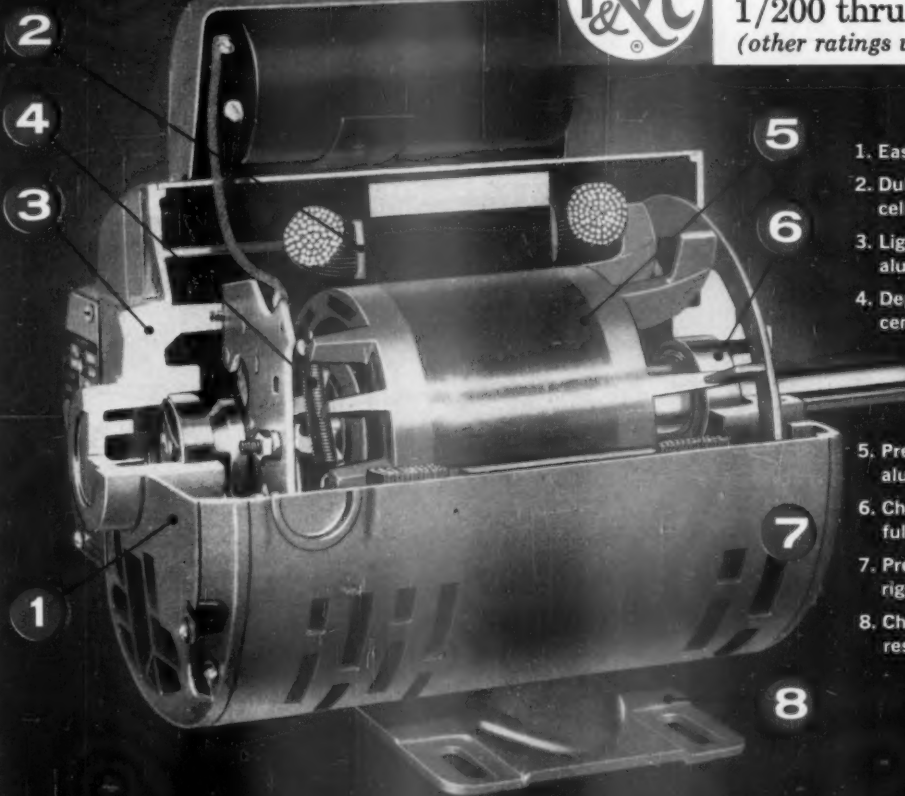
For nearly 10 years, Italy has been running a vast economic development program in the south and in the islands of Sicily and Sardinia. Much of the financial help has come from the World Bank and private investors.

This week, Italy's Fund for Southern Development (officially called Cassa per il Mezzogiorno) got a boost through a three-way loan package. The World Bank, which already has lent \$240-million to the Cassa program, came through with another loan of \$20-million; Morgan, Stanley & Co. floated a \$30-million bond issue for the program; the new European Investment Bank of the Common Market countries (BW—Mar. 28, '59, p. 101) made a \$20-million credit available.



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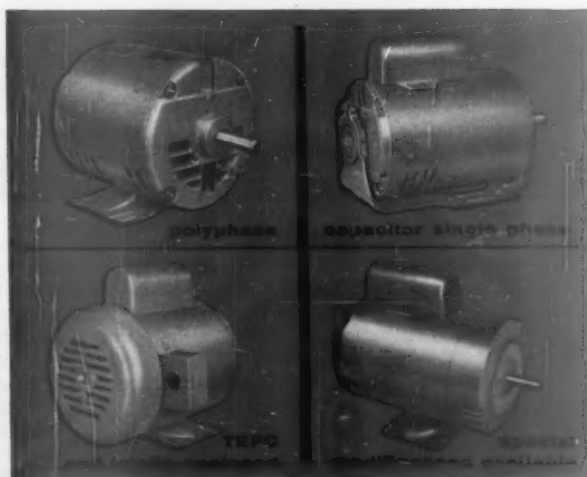
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A REPORT TO MANAGEMENT ON HOW

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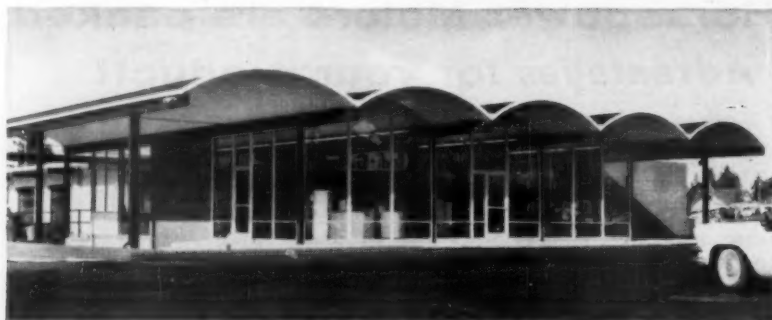
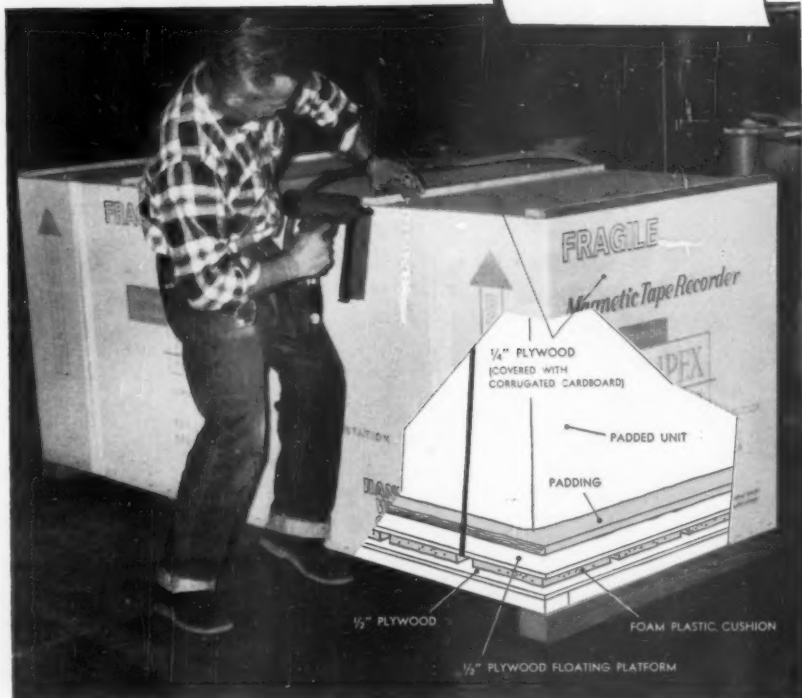
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## FINANCE

# S&Ls Get Edge in 1959 Race

● This year's battle among savings institutions will be a hotter scramble for a smaller pie than in record 1958.

● In many cities, rate increases are cropping up; but biggest competition will be in services and promotion.

● The experts pick S&Ls as probably the year's biggest gainers—and nationwide survey bears them out.

This week William Lumsden, a vice-president of New York City's Bowery Savings Bank—the nation's largest mutual savings bank—announced on behalf of the State Savings Bank Assn. a new device for attracting savings deposits to the mutuals. It's a plan that will enable the fast-growing pension and welfare funds to put their money in New York State mutual savings banks in virtually unlimited quantities.

This new savings magnet is no isolated incident. It's part of a nationwide pattern of increasingly sharp competition among savings institutions—commercial banks, mutual savings banks, savings and loan associations, and life insurance companies—for the available savings dollar. This year the race is already working up more heat than ever, with the savings and loan associations apparently on the inside track.

The New York State mutuals' new device—which Bowery is actively pushing for itself—aims at putting a bit more speed into the mutuals' footwork in that state. Under New York law, savings banks cannot accept more than \$10,000 from any one depositor—so pension funds that wanted to get the 3½% rate the New York City mutuals have been paying had to shop around from bank to bank.

Now the Savings Banks' Trust Co.—a commercial bank owned and operated by the New York State mutuals—will act as agent in placing the funds. All a pension fund has to do from now on is to send a check to the Savings Banks' Trust, which will farm out the money in \$10,000 parcels.

• **Smaller Pie**—The New York State savings banks may not be the only ones to come up with new lures for savings this year. Last year, in a defensive reaction to high unemployment and economic uncertainty, consumers stashed away a record \$18.3 billion in net new savings in financial institutions. But now recession clouds are dispelled, consumer spending is on the rise, and the booming stock market is acting as a lure for surplus funds.

As a result, bankers and economists generally predict that while 1959 will be a good year for savings, it won't approach 1958's record. This represents a sharp turnaround since last December, when these same groups were forecasting a 1959 at least up to the 1958 mark (BW—Dec. 20 '58, p19).

Dr. James Byrd, economist at the National Bank of Commerce in Houston, for example, reports a comfortable 4% increase in savings accounts at his bank during 1958. For 1959, he laments, even an optimist can see an increase of only about half that.

• **Scramble**—With that prospect in store, there's a merry scramble on among the savings institutions for a piece of the smaller pie:

• In Buffalo this month, both mutual savings banks and commercials jumped their savings rates—the mutuals went from 3% to 3½%, the commercials from 2½% to 3%.

• In Detroit, all major commercial banks raised savings rates—usually going up from 1% to 2% on regular pass book accounts, from 2% to 3% on time and savings certificates.

• In Birmingham, the Guaranty Savings & Loan Assn.—assets about \$25-million—plans to throw a monster party for its share-owners in the Municipal Auditorium, highlighted by the appearance of Liberace. Only admission requirements: a ticket from Guaranty, issued for a new account or an increase in an old one.

• In a number of cities, including Atlanta and Denver, where S&Ls cut their rates during the recession, there are prospects of an increase soon.

• **Competition in Service**—But in spite of the hotter race and the number of recent or pending rate increases, competition among savings institutions for the rest of 1959 is not likely to focus on interest rates.

Bankers and S&L officials see two reasons for this: (1) Many commercial banks are already paying the maximum permitted under state or federal law; and (2) a sharp drop in mortgage rates in the recession hurt earnings, with a

resulting "reluctance" to move to higher rates. This is particularly true in New York City, where the mutual savings banks have been teetering for some time on the edge of an increase to 3½% from the present 3½% (BW—Feb. 14 '59, p118).

Instead of a rate war, bankers forecast hotter competition in services—such things as the plan announced by Bowery Savings for the New York mutuals—and in new promotional devices.

• **Inside Track**—From where they are sitting now, and on the basis of figures now available, economists give an edge to the S&Ls in the 1959 savings race, and pick them as likely winners of the prize for the year's biggest net gain in savings.

This, if it happens, would be a continuation of a long-term rising trend for the S&Ls. In 1947 they held only about 6.2% of total savings, but by 1957 they had 16%. Last year they moved up to 17%—largely because of a sharp drop in the fourth quarter in the net flow of savings into the commercial banks, while the S&Ls showed an increase.

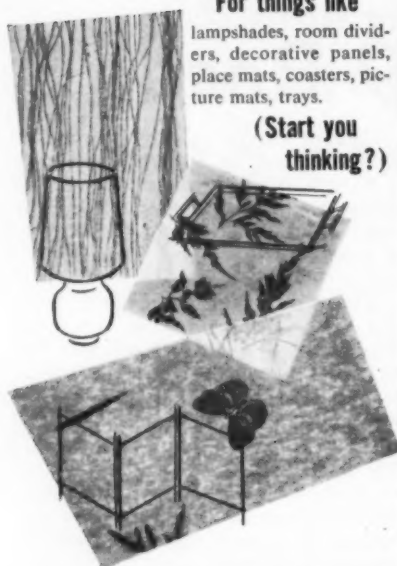
• **Evidence**—Evidence to back up this prediction was turned up this week in a nationwide survey by BUSINESS WEEK reporters among banks and savings and loan officials. There were some exceptions, such as the Northeast, where the mutual savings banks are well entrenched. But most bankers say they are having trouble holding their own against the S&Ls in the battle to attract savings.

The S&Ls don't get their competitive edge solely from their rate advantage (on the average, they pay at least 1% more than commercial banks). All across the country they are mounting an aggressive campaign for savings dollars.

• **Premium Controversy**—But while the S&Ls are uniformly aggressive in going out after savings, they don't all agree on the methods. A sharp debate is developing among the S&Ls themselves on the propriety of using premium gifts to attract new business.

To underscore the controversy, the Federal Home Loan Bank Board, which regulates all insured S&Ls, this week outlawed the practice of giving premium certificates that can be used only by sending money directly to a merchandiser. At the same time, the FHLBB continued its \$2.50 ceiling on the value of premiums that can be offered by S&Ls under its jurisdiction.

"The windows of Colorado savings and loan associations are beginning to



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TECHNICAL PAPERS FOR INDUSTRY

look more like those of a drug chain than a bank," says the disgruntled head of one Denver S&L that hasn't yet joined the race to outdo everybody else in the size of premiums offered for a new savings account.

The manager of a Midwestern S&L that tried giving out Japanese binoculars for every new account of \$100 chimes in bitterly with "I've never met such a bunch of bums and rotters in my life." His S&L got 1,400 new accounts, but he's not sure it was worth it to get the kind of customers who came along just for the free ride.

In Miami, some S&Ls are shifting from premium offers to other promotional techniques. "We found that too many 'professional savers' were making us targets," says one S&L head; they would collect the premium, move the account elsewhere, and collect again.

• **Gaining**—With or without premiums, however, the S&Ls go on drawing in more savings in most areas than the commercial or savings banks. As a senior vice-president of a Houston bank puts it, "The S&Ls just make it too easy to save. A man can open an account by mail, make deposits by mail, close the account by mail, have it serviced by mail. He never has to come to the office."

Houston bankers admit they're leery about hitting back too hard—for the S&Ls are big customers for commercial bank services.

• **City Variations**—Here's a rundown on how the battle for savings is shaping up in various cities:

**In Philadelphia**, there has been no change in the past year in interest rates paid by banks and S&Ls, and there's no sign of a shift now. The banks pay as much as the state law permits: 2½% for commercials, 3% for mutuals. The S&Ls pay 3½%.

Only the commercial banks report a noticeable percentage rise in savings during the first quarter, and even this is not spectacular. But the S&Ls are getting the biggest dollar share of actual savings—in part because of aggressive promotion, with giveaways of silverware, clocks, and the like.

**In Pittsburgh**, S&Ls are pushing their rates to 3½% to attract more savings, but commercial banks say they are satisfied with their 2½%. The banks feel the complete banking services they can offer in widely spread out branch systems give them the competitive edge.

**In Chicago**—where one banker complains that "we haven't been able to hold our own against the S&Ls for years"—the commercial banks report they have been able to expand their volume of savings by lifting their savings rates to the present 2%. Many Chicago S&Ls pay 3½%, however, and this keeps them out in front.

**In Milwaukee**, savings institutions find a boon in current wariness of the stock market and recurrent public attacks on the dangers of speculation by the Securities & Exchange Commission and New York Stock Exchange officials (BW—Apr. 11 '59, p. 23). They credit these developments with bringing back funds that had been flowing to the market.

Robert Pittlekow, president of Milwaukee's Equitable Savings & Loan Assn., comments: "Early in the year we were writing out checks every day to Bache & Co. (brokers with an office in the same building as Equitable); now they're writing checks to us."

**In Miami**, the battle among commercial banks, S&Ls, credit unions, and life insurance companies is particularly lively. And all seem to be getting their share—the forecast is that total savings will be up 20% for 1959.

As elsewhere, the commercial banks—which pay 2½% to 3%, against 3½% for the S&Ls—talk up their greater range of services. Though the banks seem to be holding their own, one banker notes a potential future threat from credit unions, citing not only their 4½%, to 5% rate in the Miami area, but the convenience of their on-the-job locations and quick loan service. "They're coming up from our blind side," he says.

**In Boston**, it's the slowdown in the flow of savings that's especially noticeable. One savings banker says 1958 was wonderful, but adds, "Our rate of increase in savings now is about a third of what it was a year ago."

Boston's commercial banks, true to their unhurried tradition, have not lifted savings rates from 2½%, though savings banks went up to 3½% early in 1958. This has given a welcome breathing spell to the mutuals, which see their chief competition in U.S. government bonds, now selling at deep discounts in the market and yielding over 4%.

The big life insurance companies with headquarters in the Boston area—such as John Hancock, Massachusetts Mutual, New England Mutual—say sales of ordinary life insurance are up sharply for first-quarter 1959. But annuity sales—an important prewar savings medium—are now a small part of their business.

**On the West Coast**, in San Francisco and Los Angeles, the savings boom has not tapered off. The Bank of America, which covers California like a blanket, reports savings deposits up \$330-million over first-quarter 1958, without benefit of any rate increases. California banks have stuck to 3%, the S&Ls to 4%, since January, 1957.

California banks say they are able to hold their own against the S&Ls—but they're not saying it loudly, for some S&Ls have posted remarkable gains in savings. They averaged a 40% increase in assets during 1958. **END**



**ALBANY**, as the Capital of the great Empire State, is second only to Washington, D.C. as a legislative center. The roots of America are here. It is the oldest existing settlement in the original thirteen states and the second oldest city still operating under its original 1686 charter. In 1754, Benjamin Franklin presented the first plan of Federal Union to the legislature. Four former U. S. Presidents resided in Albany as governors: Martin Van Buren, Theodore Roosevelt, Grover Cleveland and Franklin D. Roosevelt. As a major transportation center for the northeast and an important overseas shipping port on the Hudson River, Albany has also attracted a variety of industries. Otis has a long standing "participant's" interest in Albany's skyline growth. Over 77% of its elevators are the world's finest. They're by OTIS.

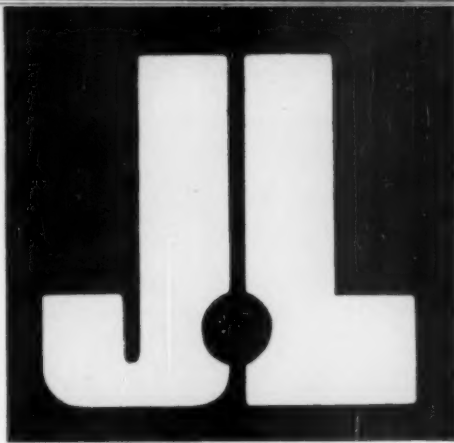
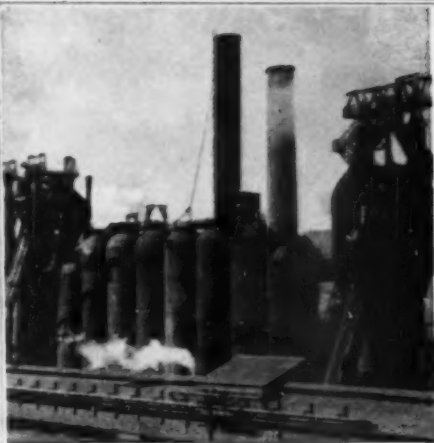


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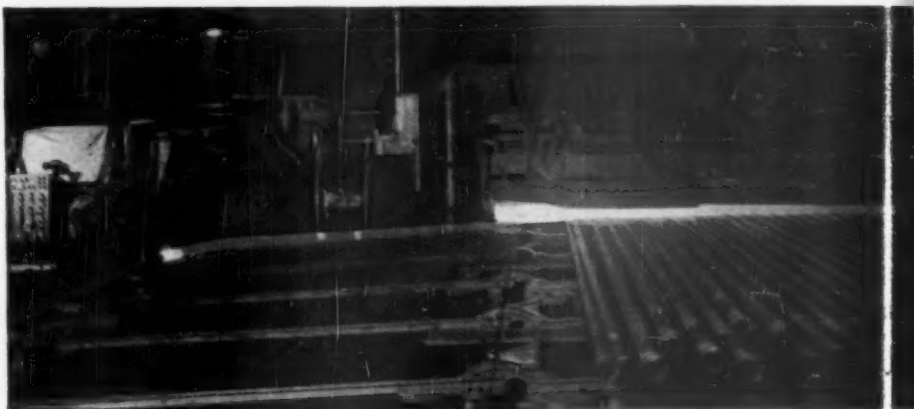


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An \$800 million investment in steel-making facilities contributes to J&L's new stature as a major supplier of tubular products and other steel products. New facilities, important to improved and expanded production of these products,

**If your company uses any tubular products, J&L's** annual tubular products capacity of over 1,000,000 tons merits your consideration as a major source of supply. By recent investment of nearly \$78 million in the finest pipe-making facilities known, J&L is now able to meet your most rigid specifications for all tubular products—even during periods of high steel demand.



New upsetter for high-strength integral joints is one of the largest in the world



Seamless High-strength Casing in process at this J&L \$13½ million facility



Grayloc Tubing joint provides high strength positive leak resistance



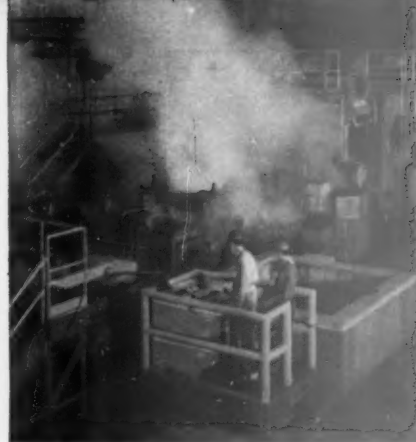
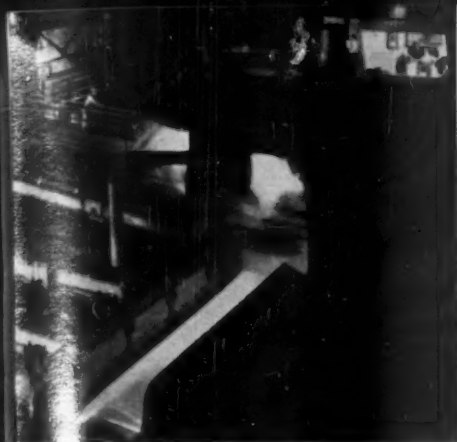
\$4½ million stretch reducing mill improves Seamless Pipe quality



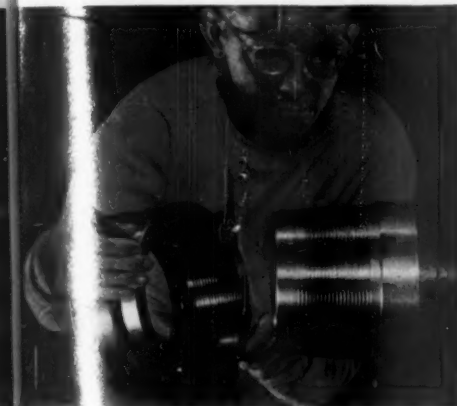
J&L can deliver yearly over 200,000 tons of multiple-tested Electricweld Line pipe



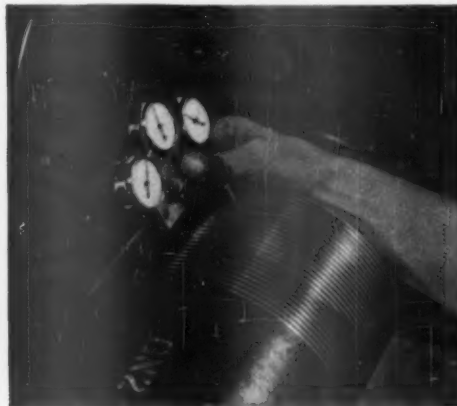
Electricweld Line Pipe is tested on one of world's largest hydrostatic testers



include (left to right): this 496,000-ton capacity blast furnace; a \$74 million open hearth shop; a \$15 million 68-inch blooming mill; new equipment to scarf four sides of a slab simultaneously; a new \$33 million 44-inch hot strip mill.



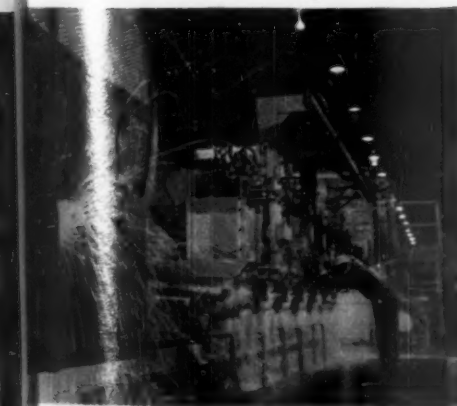
Modern \$2 million facility produces Extreme Line Casing\*



New facilities for Buttress Thread Casing cost nearly \$1½ million



J&L now has well-rounded line of Drill Pipe



Two new Continuous Weld Pipe mills are \$17 million investment

## The new J&L is one of the world's largest sources of tubular steel products.

Annual production of over 1,000,000 tons of tubular products is possible with J&L's greatly expanded facilities for line pipe, standard pipe, drill pipe, tubing and casing.

All J&L products are made of "integrated company" steel, with stringent inspection and testing to guarantee standards of quality never attainable before.

A network of J&L sales offices, J&L Supply Division Offices and stores, and leading distributor offices and stores, blankets this country and Canada with J&L tubular products.

## Jones & Laughlin Steel Corporation

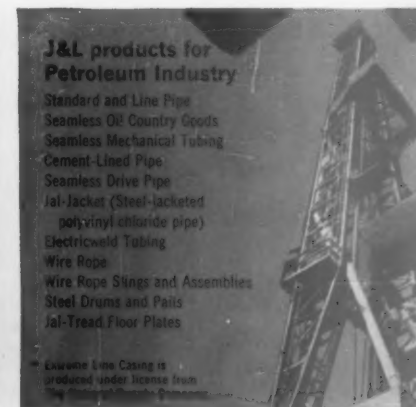
PITTSBURGH, PENNSYLVANIA



Flattening test is given all J&L Electricweld Line Pipe



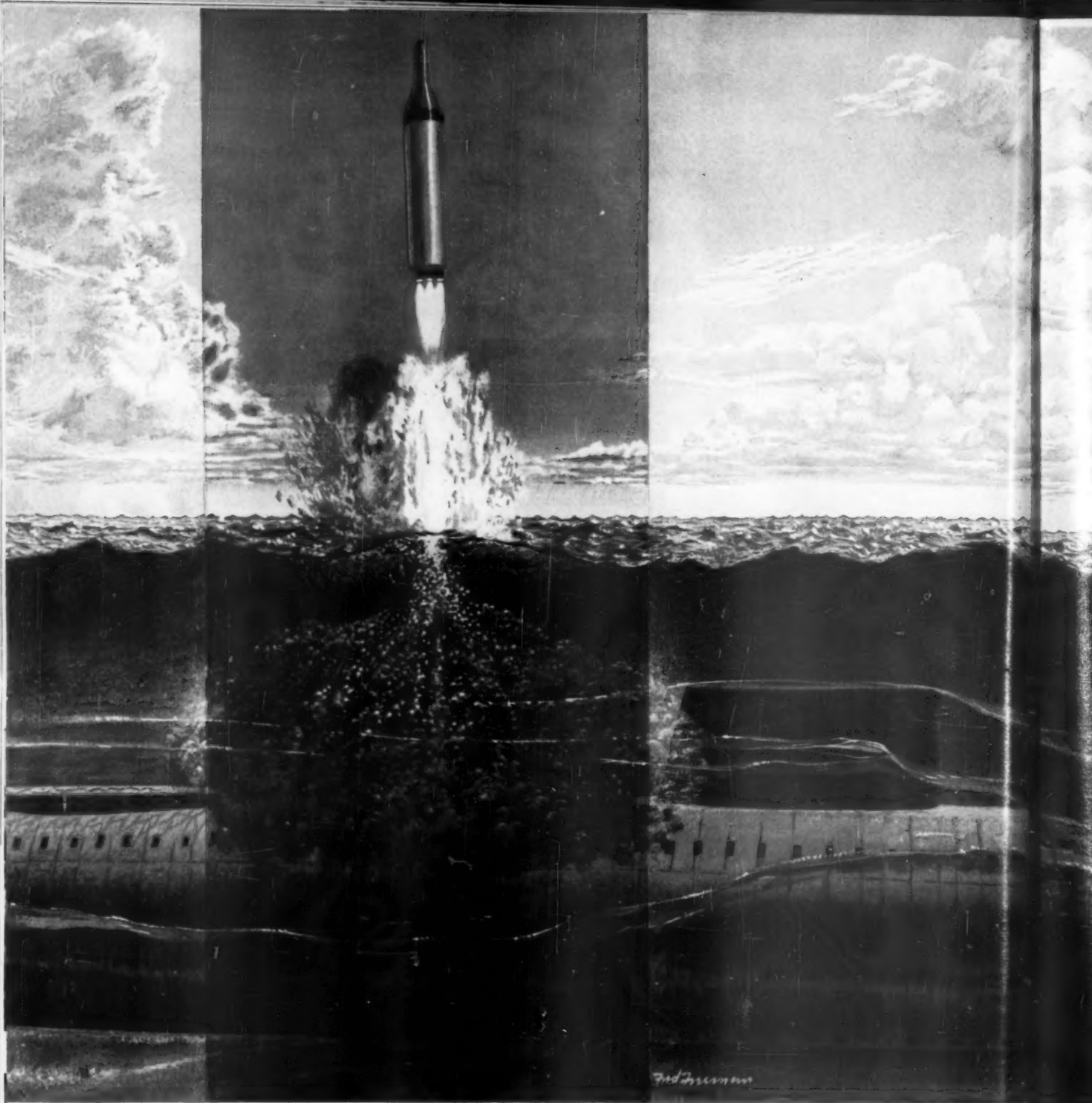
J&L research led to ultra-sonic inspection of Electricweld Pipe quality



### J&L products for Petroleum Industry

- Standard and Line Pipe
- Seamless Oil Country Goods
- Seamless Mechanical Tubing
- Cement-Lined Pipe
- Seamless Drive Pipe
- Jal-Jacket (Steel-lacketed polyvinyl chloride pipe)
- Electricweld Tubing
- Wire Rope
- Wire Rope Slings and Assemblies
- Steel Drums and Pails
- Jal-Tread Floor Plates

\* Extreme Line Casing is produced under license from The Standard Oil Company



## *Launching platform for Navy's Polaris: one more way the six fields of Firestone serve defense*

In this rocketing age of missiles, Polaris will be unique. Boiling to life in the deep undersea—it will leave its host submarine to seek the sky and find a target 1,500 miles away. Designing the underwater launching system that makes this possible was a Firestone responsibility. And it's typical of the problems Firestone has helped solve for the armed forces of our country.

*Enjoy the Voice of Firestone every Monday evening on ABC television*

From recoilless rifles to radar towers—from tank tracks to military tires—the six fields of Firestone have produced a great variety of weapons and military supplies. In the broad areas of research and development, as well as in manufacturing, Firestone has continuously served the vital needs of America's growing economy. Making the best today still better tomorrow is a Firestone

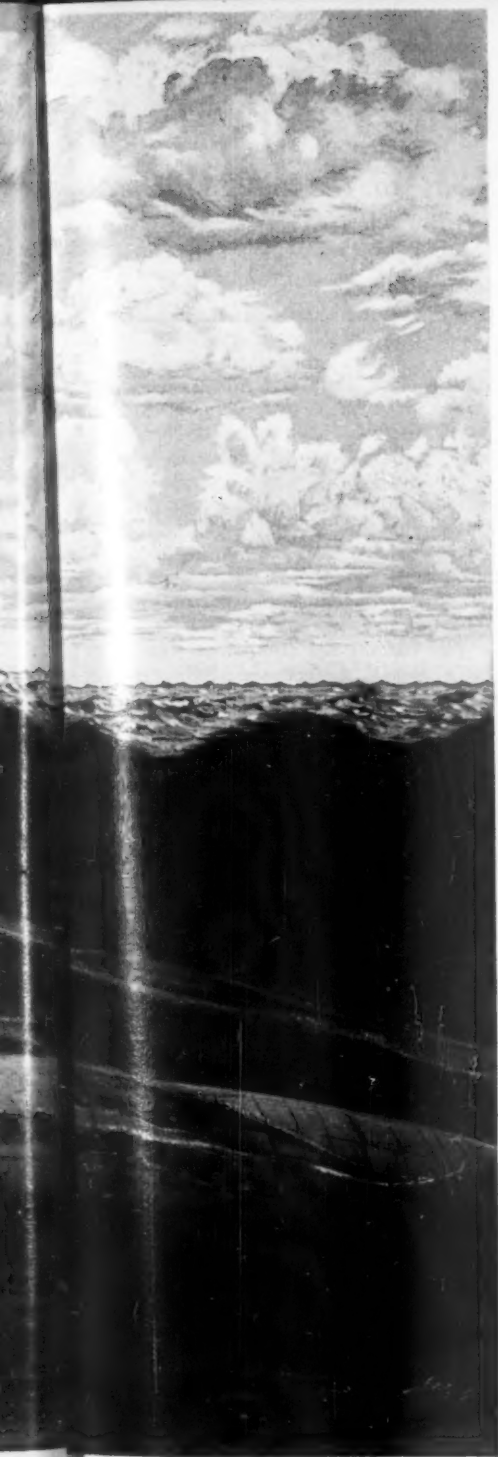
promise. And it's a promise that's being made good in six major fields of industry: rubber, metals, plastics, synthetics, textiles and chemicals.

# **Firestone**

MAKING THE BEST TODAY STILL BETTER TOMORROW

Copyright 1959, The Firestone Tire & Rubber Company, Akron, Ohio

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welfa



## THE SIX FIELDS OF FIRESTONE



RUBBER

METALS

PLASTICS



SYNTHETICS

TEXTILES

CHEMICALS

With a worldwide network of 66 plants in 19 countries, Firestone is famous for quality in six fields of industry which are vital to the welfare and progress of mankind.

## 1958's Billion-Dollar Club

### IN SALES:

	SALES IN 1958 FISCAL YEAR (MILLIONS)	1957-58 GROWTH
General Motors	\$9,614*	- 13.3%
Standard Oil (N.J.)	7,712*	- 3.5
AT&T	6,771	+ 7.2
(excludes Western Electric)		
A&P	4,900E	+ 2.7
Ford Motor	4,130*	- 28.4
General Electric	4,121	- 5.0
Sears, Roebuck	3,712	+ 3.3
U. S. Steel	3,472	- 21.3
Socony Mobil	2,933*	- 2.8
Gulf Oil	2,769	+ 1.4
Swift & Co.	2,645	+ 4.1
Texaco	2,476*	+ 1.1
Safeway	2,225	+ 5.1
Western Electric	2,183*	- 12.3
Chrysler	2,175	- 39.3
Bethlehem Steel	2,024*	- 22.9
Du Pont	2,003*	- 6.9
Westinghouse	1,896	- 5.7
Standard Oil (Ind.)	1,882*	- 7.3
Armour	1,852*	- 4.4
Kroger	1,776	+ 6.1
Boeing Airplane	1,712	+ 7.2

### IN ASSETS:

	ASSETS AT CLOSE OF 1958 FISCAL YEAR (MILLIONS)	1957-58 GROWTH
AT&T	\$19,494	+ 10.2%
(excludes Western Electric)		
Standard Oil (N.J.)	9,479	+ 8.8
General Motors	7,295	- 2.7
U. S. Steel	4,633	+ 5.9
Gulf Oil	3,430	+ 5.8
Socony Mobil	3,237	+ 4.2
Texaco	3,112	+ 11.6
Ford Motor	3,075	- 11.6
Penna. RR	2,963	- 0.3
Du Pont	2,804	+ 1.7
Standard Oil (Ind.)	2,769	+ 9.2
N. Y. Central	2,603	- 0.4
Standard Oil (Cal.)	2,451	+ 9.1
General Electric	2,421	+ 2.5
Pacific G. & E.	2,291	+ 6.7
Bethlehem Steel	2,195	- 2.9
Southern Pacific	2,175	+ 0.5
Sears, Roebuck	2,036	+ 29.0
Con. Edison	1,970	+ 7.7
Shell Oil	1,648	+ 17.1
Commonwealth Ed.	1,581	+ 8.3

	SALES IN 1958 FISCAL YEAR (MILLIONS)	1957-58 GROWTH
Standard Oil (Cal.)	\$1,689*	- 2.9%
Shell Oil	1,674*	- 5.6
General Dynamics	1,511	- 3.3
Nat'l Dairy Prods.	1,457*	+ 1.3
Goodyear Tire	1,372*	- 3.8
J. C. Penney	1,326	+ 1.1
Union Carbide	1,315*	- 7.4
Procter & Gamble	1,295	+ 12.0
Douglas Aircraft	1,210	+ 10.7
United Aircraft	1,204*	- 2.6
Sinclair Oil	1,202*	- 5.3
RCA	1,176*	...
Int'l Bus. Mach.	1,172	+ 17.2
R. J. Reynolds	1,147	+ 8.9
American Tobacco	1,103	+ 0.4
Int'l Harvester	1,098	- 7.5
Montgomery Ward	1,092	+ 1.7
Continental Can	1,085*	+ 3.2
Phillips Pet.	1,073*	- 21.5
Firestone Tire	1,065	- 8.4
General Foods	1,041E	+ 3.1
American Can	1,037	+ 3.0
Cities Service	1,029*	- 2.9

	ASSETS AT CLOSE OF 1958 FISCAL YEAR (MILLIONS)	1957-58 GROWTH
Santa Fe RR	\$1,576	+ 2.6%
Union Carbide	1,530	+ 5.1
Union Pacific	1,530	+ 2.9
Phillips Pet.	1,515	- 0.3
Sinclair Oil	1,500	+ 1.3
El Paso Nat. Gas	1,467	+ 10.8
Westinghouse	1,412	+ 0.8
Am. Elec. Power	1,392	+ 8.4
Int'l Bus. Mach.	1,340	+ 16.1
Chrysler	1,338	- 10.7
Alcoa	1,337	+ 1.6
Western Electric	1,337	+ 0.6
Gen. Telephone	1,322	+ 12.5
Cities Service	1,288	- 0.4
Baltimore & Ohio	1,276	- 0.6
Tennessee Gas	1,239	+ 8.6
Pub. Ser. E. & G.	1,186	+ 11.8
So. Cal. Edison	1,172	+ 10.2
Southern Co.	1,130	+ 9.0
Chesapeake & Ohio	1,062	- 2.0
Anaconda	1,057	+ 2.6
Int'l Harvester	1,024	+ 0.3

Assets are net of depreciation but include U. S. govt. secs. carried to offset taxes.

Sales marked (\*) include "other" income.

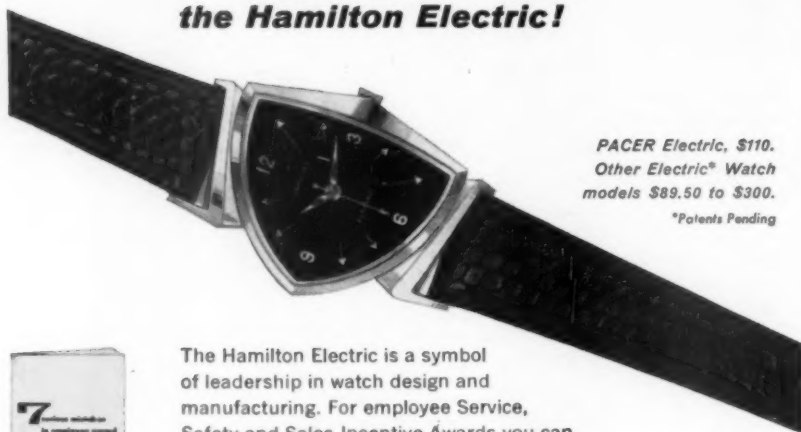
Sales of tobacco companies include substantial amounts of U. S. excise tax collected by company.

E—estimated.

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Story on page 122

**the most talked about watch  
in the world . . .  
the Hamilton Electric!**



PACER Electric, \$110.  
Other Electric® Watch  
models \$89.50 to \$300.  
\*Patents Pending



The Hamilton Electric is a symbol of leadership in watch design and manufacturing. For employee Service, Safety and Sales Incentive Awards you can choose no finer watch than a Hamilton.

**Free Booklet!**

**"Seven Serious Mistakes in Employee Award Planning"**

New guide to help you check the effectiveness of your award program. Write Dept. B-44, Presentation Sales, Hamilton Watch Company, Lancaster, Pa.

**HAMILTON**  
CREATOR OF THE WORLD'S FIRST ELECTRIC WATCH

**Specify**  
**DC** **THE ONLY DIRECT**  
**COAST-TO-COAST CARRIER**

**DC** **DENVER CHICAGO TRUCKING CO., INC.**  
**ONE STEP ACROSS THE NATION**

**"... for the first time in years there were no additions to the billion dollar club. . ."**

TABLE on page 121

Despite the recession, the "billion dollar club" of U.S. non-financial corporations came through 1958 almost unscathed. Only two companies—North American Aviation and Republic Steel—suffered sales declines big enough to remove them from the charmed circle.

But for the first time in years, there were no additions to the billion dollar club, and the same recession forces that kept new companies off the list also show in the generally modest growth of the industrial giants who stayed on it.

The hardest hit companies were in autos and steel. General Motors sales were off more than 13% in 1958; Ford lost 28% of its 1957 volume; Chrysler was down 39%. These declines, however, are likely to be short lived. Ford, for example, reported a 35% increase in first-quarter sales and record net income this week.

• **Steel Suffered**—The steels were similarly hard hit in 1958. U.S. Steel dropped 21% in sales from 1957, and Bethlehem was off 22%. As with the autos, 1959 is apt to be very different.

The billion-dollar companies with some of the best sales performances included retailers (A&P, Safeway, and Kroger all moved up smartly); tobaccos, with R. J. Reynolds up almost 9% in sales; and the perennial star performer, IBM, which posted a 17.2% increase to lead the pack.

On the asset side, the billion dollar companies fought the recession to a virtual standoff. Declines were relatively rare, and most of the companies posted modest increases.

• **Best Group**—The utilities turned in the best group performance; their assets were up over 8% on the average. General Telephone topped the class: 12.5%.

Honors for the biggest relative asset hike of all go to Sears, Roebuck & Co., which ended 1958 with a 29% increase, largely because of the \$350-million it raised by a bond issue late last summer.

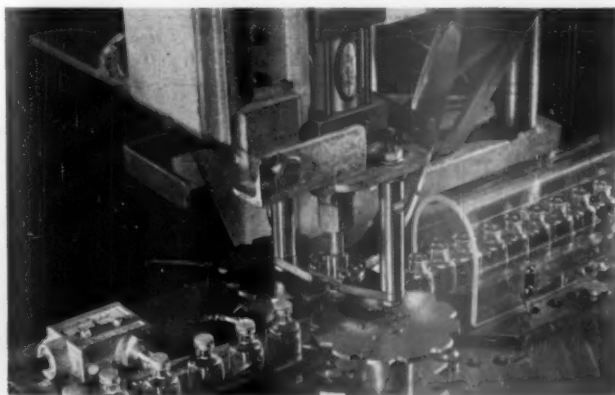
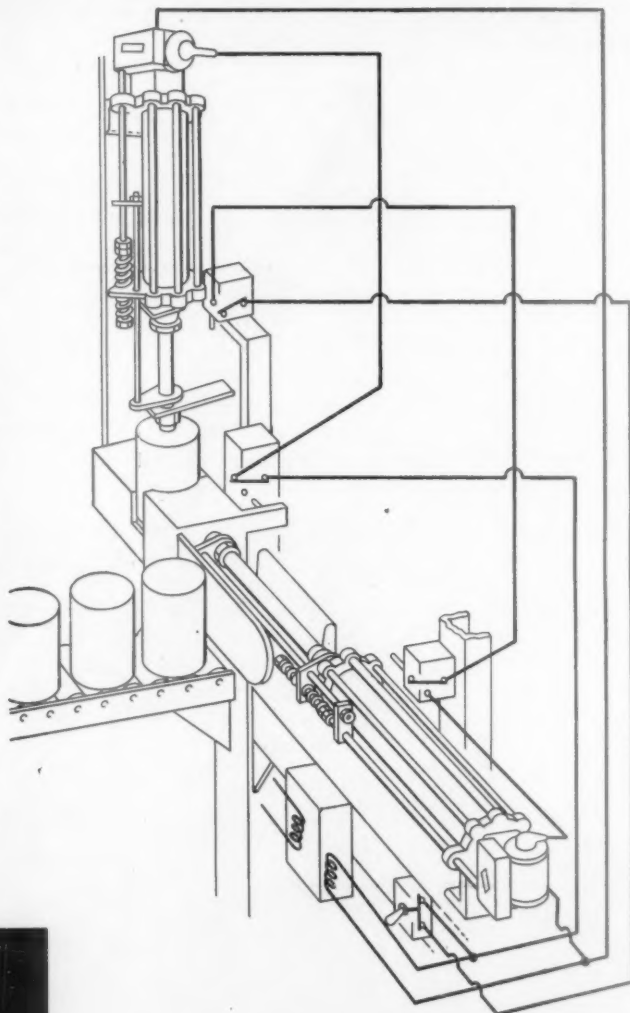
The Securities & Exchange Commission's regular quarterly report on corporate working capital, issued this week, shows that, in general, corporate liquidity increased through the recession. SEC, reporting for the full year as well as the fourth quarter, says that working capital shot up \$8.1-billion in the year to a record total of \$119.8-billion. Much of the increase, says SEC, went into cash and short-term U.S. government securities. **END**

## THIS SIMPLE SHOP-BUILT MACHINE SPARKS IDEAS FOR OTHER COST-SAVING UNITS

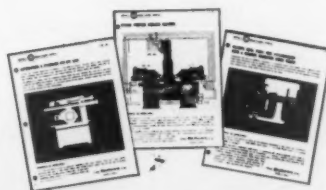
This SPOT-A-MATION IDEA is another example of how much more simply and economically an operation can be automated using Bellows "Controlled-Air-Power" Devices. The ease of construction and low cost also suggest why these versatile work units have stimulated the imagination and creative ingenuity of cost-conscious men in all types of industries.

Originally designed to punch holes in the bottoms of clay flower pots, this shop-built machine is adaptable to many other operations, such as inserting lids in cans, applying labels, stamping numbers, etc. The two Bellows Air Motors are interlocked to work alternately. A gravity conveyor delivers a clay pot to the first Air Motor, which moves it to a position under the second Air Motor. After the piston rod of the second Air Motor has moved through the work stroke and returned to "up" position, the cycle automatically repeats. This is practical, low-cost automation.

Now, stop a moment and ask yourself a question: "How can I use Bellows "Controlled-Air-Power" to produce more at less cost in *my* plant?"



An adaptation of this SPOT-A-MATION IDEA permitted a drug firm to plug bottles—automatically—four times faster than had been done by two operators. Because sterility was vital, automating the operation with Bellows equipment eliminated the possibility of contamination by human hands.



### THIS SPOT-A-MATION IDEA FILE IS YOURS ON REQUEST

Contains installation data, wiring diagrams and equipment lists for scores of Bellows "Controlled-Air-Power" applications, enabling you to automate existing machines or build your own low-cost special-purpose equipment. Write for yours today. No obligation. Address Dept. BW459, The Bellows Co., Akron 9, Ohio.

1343B

## The Bellows Co.

DIVISION OF INTERNATIONAL BASIC ECONOMY CORPORATION (IBEC)  
AKRON 9, OHIO

OTHER INDUSTRIAL DIVISIONS OF IBEC: Sinclair-Collins Valve Co., Valvair, Akron, Ohio • V. D. Anderson Co., Cleveland, Ohio

# GAYLORD POINTS OUT MANY WAYS YOU CAN SAVE IN PACKAGING

Gaylord uses a sharp pencil to survey your *total* packaging operation—checks those hidden costs that are frequently more important than the price of the box.

If you demand increased production, improved protection and important savings in corrugated packaging . . . call in your G-man. He'll help you erase any packaging errors, leave an indelible mark on the credit side of the ledger.



**GAYLORD**  
CONTAINER CORPORATION



HEADQUARTERS, ST. LOUIS  
PLANTS COAST TO COAST

DIVISION OF **Crown Zellerbach Corporation**



# In Finance

• • •

## Fed Action Plus Growing Demand Tighten Credit Market Still Further

Pressure on the credit market continued this week from two directions: from the Federal Reserve's selling of securities on the open market, which cuts free bank reserves, and from the law of supply and demand.

As the Fed pointed out last week—the statement itself was an unusual step—credit is tightening in the face of rising demand from federal, state, and local governments and from corporations and home buyers. The Fed noted that this trend could also be a sign of the effect of Fed policy on the credit market.

Short-term money rates continue to rise. The free reserves that one bank lends to another are more often than not drawing the practical limit of 3%, a limit set by the present 3% Fed discount rate (the rate on free reserves goes no higher, for it would then be cheaper for banks to borrow from the Fed).

• • •

## Companies Retain More Earnings, Need Less Help From Capital Markets

A fresh study on corporate retained earnings and depreciation allowances shows that internally generated funds are now running ahead of corporate needs for new money to finance inventories and plant and equipment. The study was made by the Federal Reserve Bank of Chicago, which comments that, if the trend continues, it could mean lowered corporate demand on banks and the capital markets.

On the basis of first-quarter earnings, the Chicago bank predicts that retained earnings and depreciation could total at least \$35-billion for the year. It estimates earnings retained in the first quarter at an annual rate of \$10- or \$11-billion; this compares with a figure of only \$3-billion a year earlier. It sets depreciation and depletion allowances at an annual rate of about \$22-billion.

The \$35-billion total contrasts with a proposed \$32-billion annual rate of capital outlays for plant and equipment for the second quarter.

• • •

## Timken Offers to Buy All Shares Of British Subsidiary Above Market

Timken Roller Bearing Co. has bid \$30.5-million for total control of its British subsidiary, British Timken, Ltd. Timken already owns about 54% of the subsidiary's 5-million shares, and it has offered to pay \$11.72½ a share for the balance of the stock. British Timken stock this week traded at a bit over \$10 a share.

Timken officials here said the move was dictated by a desire to compete more effectively in the European Common Market. British Timken has advised its share-

holders to accept the offer, but the British government still must approve the whole deal.

International Harvester Co. also is trying to beef up its overseas sales through a new installment credit program. A joint arrangement with Forward Trust, a wholly owned subsidiary of the Midland Bank, and the Clydesdale and North of Scotland Bank, will make it possible for buyers to "hire-purchase" (buy on the installment plan) International Harvester tractors and equipment through more than 2,600 U.K. banks.

• • •

## High Stock Prices Begin to Attract More New Corporate Equity Issues

The high level of stock prices finally appears to be having an impact on new equity financing (BW—Feb. 28'59, p45). In March, underwriters brought 45 common stock issues to market for a total of \$289.9-million, according to Investment Dealer's Digest. This compares with 36 issues and \$232.6-million in February, and with 38 issues and \$137.6-million in January.

Underwriters expect the trend to continue, particularly among smaller companies. Many financial analysts are surprised, however, that the equity route is still so uncrowded. For instance, Irving Trust Co., a Boswell of utility company offerings, notes that gas companies have not come through with "that predicted surge in financing." And it feels that the surge—in gas company financing, at least—may not come until the second half.

• • •

## Finance Briefs

H. L. Green Co., the variety chain whose merger with Olen Co. produced a peck of trouble (BW—Apr. 4'59, p113), has filed suit to recover \$3.3-million from Maurice E. Olen, Green's former president, and Olen's personal holding company, Industrial Development, Inc. The complaint alleges that the Olen Co. books have been falsified by understating its liabilities by at least \$2-million and overstating its assets by at least \$1.3-million.

Larger corporate profits are beginning to pay off in larger dividends. According to Standard & Poor's, dividend increases and resumptions in the first quarter outnumbered omissions and cuts by almost 6 to 1. Corporations voted 306 dividend increases, 57 resumptions, as compared to 157 and 11, respectively, in the first quarter of 1958. Financial men say the trend will continue, with cash payments hitting a record high this year.

With the economy on the upswing, applications for small business loans filed at the Small Business Administration are rising rapidly. SBA reports that its February applications—latest figures available—totaled 843, up 35% from a year ago. For the first eight months of the government's fiscal year, SBA has received 6,578 applications for \$379-million in loans, compared with 4,286 applications for \$253-million in loans for the same period last year.

## MARKETING

# Shoes Sprint for Record Sales

**This may be the industry's big year. But International Shoe's major overhaul gives a clue to some of the hurdles.**

It's fantastic. It's terrific. It's the best show ever.

Comments such as these were a dime a dozen at the St. Louis fall-winter shoe show last week (pictures). Retailers jammed the exhibit. And they bought. The industry has high hopes that 1959 will prove a banner year. At long last, it is saying, production will top the 600-million-pair mark.

The present cheer rests on two quite different foundations:

- Partly, the increased tempo of buying reflects the post-recession upswing.

- More significant, this venerable industry is geared as never before to the demands of a market that has changed, faster in many cases, than management has.

- **New Incentive**—Retailers had a pretty

good year in 1958. Shoe store sales were 6.3% ahead of 1957's. But manufacturers did not fare so well. They scared early in the recession, and the big companies, especially, pulled in their production horns. Total shoe production dropped 2.6%. Retailers caught the recession fever. They bought cautiously, sold out of inventory.

Now they are buying again. They have an added incentive: to beat price increases that have already started (BW—Apr.18'59,p141).

- **Industry Problems**—Long plagued by seasonal overcapacity, seasonal production, and low profits, the industry has waked in earnest to the need to stir its stumps. In the past few years, manufacturers have roused themselves to find more efficient techniques of production, better ways to catch its shifting market.

For the big manufacturer, this is not easy. This is an old industry, and until recently has shown its age. Profits are puny. Said Pres. Henry Hale Rand of International Shoe Co., the leader

in the field, a month ago: "The average net earnings of more than 100 shoe manufacturers amounted to only 2% of sales. If this figure were applied to the industry's average wholesale value of \$3.60 per pair, the net profit amounts to less than 8¢ per pair . . . This leaves very little for research, promotion, experimentation, etc."

- **New Outlets**—Low returns at the production end have sent some of the big companies scouting for outlets. The easiest answer for the large manufacturer is to integrate—to acquire his own stores. But several companies that recognized this need early have run into roadblocks.

Thus, GENESCO, Inc. (formerly General Shoe Corp.)—the No. 4 shoe producer—began aggressively to pick up retail chains several years ago. Then the government clamped down, and GENESCO agreed to add no more shoe outlets without government approval for five years (BW—Feb.25'56, p32). GENESCO did an aboutface, has gone actively after nonshoe busi-





**COMPETITORS** Brown Shoe's Pres. Clark Gamble (right) and V.P. Schaefer hope to take top spot from . . .



. . . International Shoe, headed by Pres. Henry Rand (right) and V.P. M. R. Chambers.



**SHOE SHOW** (left) in St. Louis brings hope of a record year to revitalized shoe industry. For manufacturers, the big question is how to assure markets in a hotly competitive field.

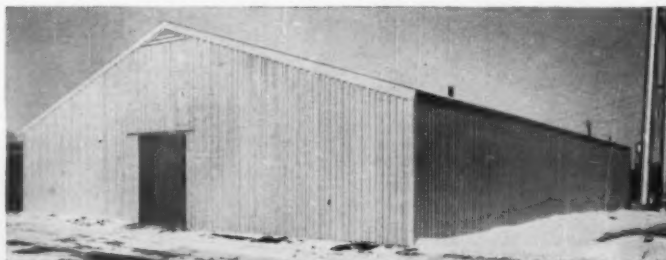
**KEEPING** the top spot and expanding market is the concern of International's Rand and V.P. Robert O. Monnig (right). A stem-to-stern overhaul puts company in a good position.



## "WHAT? A CUSTOM-QUALITY WAREHOUSE...FROM MANUFACTURER'S STOCK?"

**Cecoframe steel buildings put capital to work fast . . .  
provide low-cost storage and shelter facilities . . .**

Get started on a complete warehouse tailored to your needs by mailing a coupon. Have it erected weeks, perhaps months, ahead of usual construction. With Cecoframe steel buildings you get a complete warehouse from Ceco stock (everything except the foundation). Cecoframe buildings are made up of components which are bolted together at your job site to fit your requirements. Frames, roofs, walls, windows and doors are all designed and manufactured by Ceco—the only building wholly made by one firm. You save money because of line production of component parts, and less erection labor. You get more wide open, usable space because there are no columns. Cecoframe buildings are ideal for warehouses, garages, storage buildings, shops, machine sheds, utility buildings. There is no better source for your building needs than a company with 47 years of experience in manufacturing building components . . . Ceco Steel Products Corporation. Sales offices, warehouses and fabricating plants in principal cities. General offices: 5601 West 26th Street, Chicago 50, Illinois.



Johnson Motor Company storage building, Waukegan, Illinois. This is a Cecoframe steel building covered with Ceco Rib-Drain Galvanized Roofing and Siding. Notice how the deep vertical sight lines of the covering provide an architectural appearance.



IN CONSTRUCTION PRODUCTS  
CECO ENGINEERING  
MAKES THE BIG DIFFERENCE  
Cecoframe Buildings / Roofing  
Products / Metal Lath / Steelforms  
Concrete Reinforcing / Steel Joists  
Windows, Screens, Doors

CECO STEEL PRODUCTS CORPORATION, 5601 W. 26th St., Chicago 50, Ill.  
Please rush complete information on all-steel Cecoframe buildings.  
My building plot is \_\_\_\_\_ size.

I am interested in a warehouse of \_\_\_\_\_ sq. ft.;  
other building \_\_\_\_\_ sq. ft.

name \_\_\_\_\_ position \_\_\_\_\_

firm \_\_\_\_\_

address \_\_\_\_\_

city \_\_\_\_\_ zone \_\_\_\_\_ state \_\_\_\_\_ BW

ness. It has interests in Hoving Corp., which gives it control of Bonwit Teller and Tiffany & Co. It owns Whitehouse & Hardy and Frank Bros., in men's wear, and Henri Bendel, in women's apparel. And Chmn. W. Maxey Jarman has said he is out for more.

Brown Shoe Co., the fast-moving No. 3 shoe producer, also went the route of buying retail chains. But Brown, too, ran into a snag. The government is challenging its purchase of G. R. Kinney Co., thriving shoe store chain. A decision is not expected till fall. If it goes against Brown, it will cost the company some \$66-million in Kinney sales. Such a decision might close the integration door to such big producers as International Shoe Co.

• **Sales Slip**—Last year's figures suggest how important the retail outlets are to the big producer. International Shoe managed to keep its top shoe production and sales spot, but sales for the fiscal year ended Nov. 30 slid off to \$244-million from \$266-million. International traditionally has relied heavily on independent retailers to take the bulk of its volume; only 16% passes through its owned outlets. Endicott Johnson Corp., No. 2 in shoe production, has also stuck mainly to the independent retailer. It, too, reported a sales drop last year, from \$146-million to \$134-million.

GENESCO, on the other hand, thanks in part to its owned retail outlets, reported a smaller sales dip: from \$223-million to \$218-million in net sales (excluding interbranch business). Melville Shoe Corp., long heavily weighted in favor of retailing, upped sales from \$166-million to \$171-million. Brown, reinforced by its ownership of the Wohl chain, the Regal chain, and Kinney, pulled up within striking distance of top spot, with sales just under \$240-million.

What's more, Brown actually topped International in profits last year. It is making a strong bid for leadership.

### I. Ready for Action

International today thus stands at the crossroads.

Much of its problem stems from size. International has 57 shoe manufacturing plants, 23 manufacturing supply units, eight finished shoe warehouses, and 33,500 employees. It has a general line division, including such women's brands as Vitality, Queen Quality, Florsheim; it sells million of shoes under private labels.

• **Consolidation**—Late in 1955, Rand started the enormous job of whipping this unwieldy package into efficient shape. This meant going two directions at once: to consolidation of some functions, decentralization of others.

On the consolidation side, Interna-



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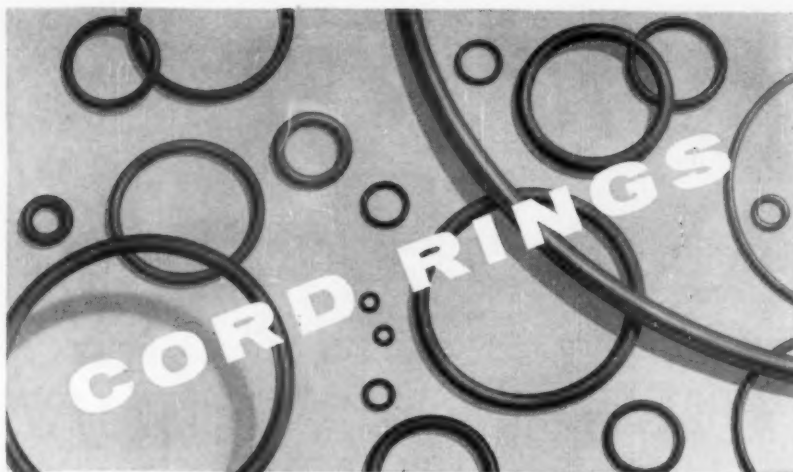
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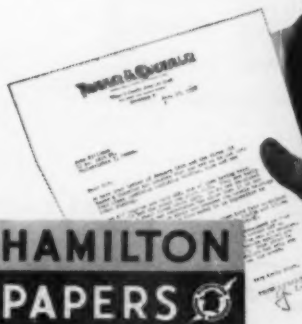
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tional got itself for the first time an over-all vice-president in charge of all sales, M. R. Chambers. The three general line divisions—originally three separate companies acquired over the years by International—were consolidated into one. This means three lines of shoes and three merchandising divisions—for men's, women's, and children's shoes—where there had been nine, and three warehouses instead of six. For all lines—general and specialty—nonsales departments and advertising were both consolidated.

• **Decentralization**—Meanwhile, with an eye to better relations with its customers, selling of the general lines was decentralized. Two new sales divisions were added, one in Manchester, N. H., one in Atlanta. "Our company was almost alone in its practice of maintaining sales executives in the home office—removed from salesmen, customers, local problems, and local possibilities for expansion," says Chambers. Each sales division has its own warehouse.

To meet the enormous task of controlling inventories of some 12,000 shoe stock items, International brought in an IBM 705 computer in January, 1957. From daily reports from the computer, International knows exactly what raw materials it needs to purchase. The computer also accurately keeps track of what's moving at each of the warehouses.

This two-pronged program continued right through 1958. One result: At the end of its last fiscal year, International reported cash and government securities of over \$12-million—the highest since 1952.

## II. Find the Market

The key problem remains: Where to find its market?

With its traditional stress on the independent retailer, International had held out against the trend to buy up retail chains. Instead, eight years ago it set up Shoenterprise operations to help independents do a better job through financing; it has for years had a Merchants Service Plan, which provides tie-in advertising, promotion, and accounting aids to retailers. These programs, like GENESCO and Brown's acquisitions, ran into a snag because retailers who used them were required to buy a stated percentage of International's output. The government frowned on this, and International deleted the must-buy clause.

With other big manufacturers taking over major retail chains, the available supply of independents shrank. Furthermore, there are plenty of other sources than the majors. International's output of 46-million pairs last year is still only a small percentage of the 582-million

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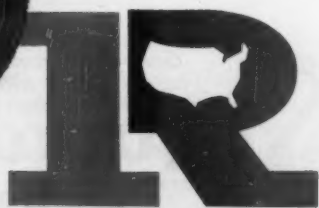
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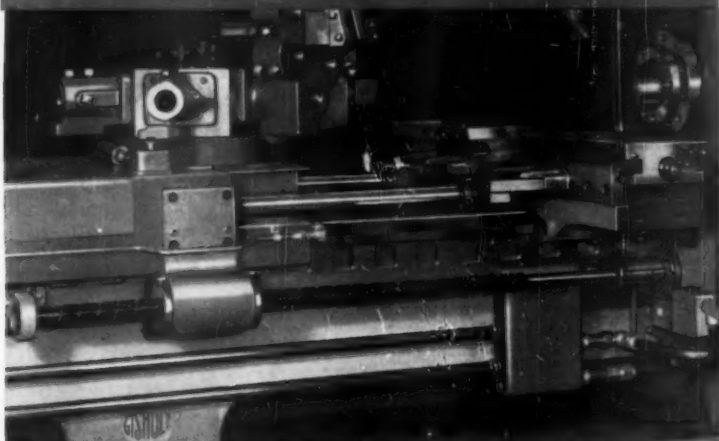


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# GISHOLT CO. CUTS PRODUCTION COSTS with the Saginaw $\frac{b}{b}$ Screw



The Gisholt Fastermatic Automatic Turret Lathe uses a Saginaw Screw to enable the lead screw mechanism to translate spindle rotation into linear drive to the turret saddle. It permits threading with less horsepower and greater accuracy than would be possible with a machine cut thread on the lead screw.

**"BECAUSE CRITICAL PRECISION IS BUILT INTO EVERY SAGINAW SCREW,** it's saved us money by cutting out an extra production cost on the threading attachment of our Fastermatic Automatic Turret Lathe. Without the Saginaw Ball Bearing Screw we would have to pay a considerable premium for acme screws machined to less than standard limits. Now the Saginaw Screw gives our product greater accuracy and longer life with less friction . . . and much greater Sales Appeal as well," says Mr. A. A. Ebel, Advertising Manager, Gisholt Machine Company, Madison, Wisconsin.

The Saginaw Ball Bearing Screw converts rotary motion into linear motion with over 90% efficiency. So save time, power, weight, space and cost by switching to these versatile Saginaw Screws.

Perhaps the Saginaw Screw can give your products that greater Sales Appeal you're looking for. For the detailed story, write or telephone Saginaw Steering Gear Division, General Motors Corporation, Saginaw, Michigan—world's largest producers of b/b screws and splines.



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total. Where will the outlets come from?

- **The Pinch**—International is shy of giving out answers. Obviously, owned outlets look like a good solution, and a profitable answer—but the shadow of the Brown-Kinney merger hangs over the industry. Pres. Rand concedes, "Many manufacturers have already been forced or soon will be, whether they like it or not, into controlled distribution."

- **Shifting Market**—Shoe companies, like all others, face the movement of their market—from small towns to big cities, from neighborhood stores to shopping centers and to highway stores, Rand points out.

The shopping center has raised some key problems for the independent retailer. "Many independents have found it impossible to even secure a lease, on their own, in shopping centers. Hundreds of department stores have opened branches in shopping centers without basement departments. Lines that sold downtown in the basement today have no representation in branches," he says.

Two companies have gone aggressively after this problem via the highway store. Thom McAn, part of the Melville corporation, tried it out about a year ago in Houston, with a store across the road from a shopping center. This worked so well it is expanding around Chicago and Detroit. Kinney, too, seized on the idea, now has a number of highway stores. Another solution might be for a company such as International to provide the backing that would open shopping center doors to independents.

- **Realistic Pricing**—Manufacturers have been accused of being backward in pricing, in not facing up to the realities of today's rising costs. But the consumer has shown an obdurate unwillingness to pay more for shoes. International is out to meet this problem two ways.

Last year it acquired Caribe Shoe Corp., a Puerto Rico manufacturer of low-priced shoes.

Second, last year International was the first important company to grab at a new development: the plastic shoe. It signed a three-year contract with Utrilon Corp., New York, to act as exclusive distributor for Utrilon's plastic shoes for men, women, and children. Retail price ranges from \$1.98 to \$3.98.

At the fall-winter show, Intercontinental Shoe Corp., of Chattanooga, Tenn., also had a line, made of plastic developed by Union Carbide Plastics.

International has shed much of the ponderous machinery that slowed it down. Brown may well top it in sales early this year. But the giant is ready for action. **END**

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# Tool Maker Drops Its Mask

American-Lincoln, private label supplier of power tools to Sears, Roebuck for 18 years, now will retail its tools directly through a new division, American Power Tool Co.

What makes a company that for more than 20 years has done a large and profitable private label business in power tools decide to shed its anonymity and, under a new unknown name, join 60-odd other companies in this highly competitive field? For American-Lincoln Corp. of Toledo the answer is relatively simple. It thinks it can make more money with less risk.

• **Careful Decision**—The decision may seem drastic, but American-Lincoln has given it plenty of forethought. A well-established company whose main business is the manufacture of floor maintenance machines (sold under its own name), American-Lincoln spent two years painstakingly laying the groundwork for unmasking its power tool operation. Its newly created division, American Power Tool Co., starts life with a complete line of 11 newly designed quality power tools for use in the home, farm, and installation trades; a sales organization made up of veteran tool salesmen who had worked for rival companies; and a ready-made network of 43 sales and service branches.

In moving into the power tool field under its own name, however, American is not abandoning the private label business entirely. It now has an agreement to supply power tools to Montgomery Ward under MW's "Powercraft" label. But American's 18-year relationship as private label supplier to Sears, Roebuck, which accounted for the bulk of its power tool business, has been terminated. And the company has turned down at least 50 requests from other companies asking it to serve as a private label supplier for them.

The difficulty of making products anonymously almost exclusively for one big customer is only part of the reason why American decided to strike out for itself in the \$200-million-a-year power tool field. Equally important is the fact that American saw a good opportunity to trade in on its well-known name as a maker of floor Sanders, polishers, and vacuums. Through merchandising these machines, it has built a reputation among hardware, building, and lumber outlets for quality products.

• **Early Beginning**—American-Lincoln entered the portable power tool business on a very small scale more than 20 years ago. Several years later, Sears asked the company to develop and produce a small belt sander. This business grew, with American contributing five

portable power tools to Sears' Craftsman line. Though American continued to serve a few other customers under a private label arrangement, the bulk of its power tools went to Sears. Chmn. Thomas J. Dolan conservatively estimated the Sears' business as over several hundred thousand units a year.

But Dolan said the company was under pressure from Sears not to sell anyone else or under its own name.

Nevertheless, American retained a certain independence of management in its power tool business.

"We designed our own tools and turned them over to Sears, who would put them through exhaustive tests," says Dolan. "Then we set the price and they could take them or reject them."

Since American has never opened its books to public gaze, price was one bone of contention between it and Sears. "They were always wanting to come in to take a look at our books to check on our costs, since we established the basic prices on our products. But we never let them do it."

• **Crucial Difference**—About two years ago, American says, Sears began asking it to expand its production facilities. Most of the added output would go into an economy line of tools.

"Under the Sears' proposal," says Dolan, "we would have to expand our facilities immediately a minimum of three times and a maximum of four times, and that seemed to us to be just too damned much."

This dependence on one large customer can lead to difficulties when the market hits a slow period. According to Dolan, "if your big customer suddenly finds he can buy elsewhere for a few cents less, your own volume can fluctuate as much as 50% a year."

But American says the deciding factor in giving up its biggest customer was Sears' insistence that it produce an economy line of tools. "This was contrary to our own approach to the power tool business. When we design a tool, we first set a target price, and then see how much quality we can build into the tool and still hit that price."

• **Sears' Story**—Sears confirms that the break with American-Lincoln began about two years ago, but tells a different version of the story. It says it dropped American in order to consolidate five sources for its power tool line into two, and that American was one of the vic-

tims. The aim, says Sears, was to standardize on design, color, and shipping of its tools. The mail order house denies that its rupture with American had anything to do with a cheaper product. It says American never was a large Sears supplier.

• **On Its Own**—But regardless of how the break came, American assessed its chances of making a living in the power tool field under its own name and found they were pretty good. "We studied this market for two years," says Dolan, "and we concluded that in view of the expanding population, the spread in the do-it-yourself trend, high repair costs for home jobs, there is a definite place in the power tool market for another line of quality tools." And so it began a buildup of its facilities.

The company first hired more engineers until it had a 28-man staff and put them to work to design a completely new family of tools—five drills, two circular saws, a dual action saber saw, dual action sander pad, belt sander, and an electric trimmer for hedges and bushes.

• **Sales Philosophy**—Then American began to build a sales staff for its new power tool division. In 1957, it hired E. L. Holland, former sales manager for Remington Arms Co.'s air tool division, to head the new sales staff. He put together a sales force of 47 veteran salesmen who had reached the top income level in other companies, mostly American's competitors, and established their own independent sales agencies.

With the guidance of top sales people from American-Lincoln, American Power Tool worked out a sales philosophy and its basic sales policies:

• American will sell only through its established representatives to exclusive dealers in each market outlet. Dealers primarily will be hardware, lumber, and building supply retailers.

• There will be no forced sales of accessories with American tools.

• American will avoid the gimmick field in its tool lines. "When a customer buys one of our saws or drills, he's getting the best saw or drill on the market," says Dolan. "But he can't use the same tools to wax his car or polish the floor."

Backing up its sales organization, American Power Tool has a network of 43 fully staffed and established sales and services branches of American-Lincoln's American Floor Machine Co.

• **Sales Target**—So far, American's new line of power tools have taken some \$2-million from design to production. Dolan will make no estimate of how much business American Power Tool will do in its first year. But he hopes that within two years it will be getting at least 5% of the industry's total sales, now running about \$200-million, and grow from there on. **END**

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# In Marketing

• • •

## California Oil Employs a Cartoon To Sell Gasoline's New Brand Name

Starting May 4, California Oil Co. will launch the second stage of its big push to tell motorists in its eastern markets about changing the brand name of its gasoline from Calso to Chevron. The company's most engaging spokesman will be the little, flat-topped cartoon character Hy Finn—a Batten, Barton, Durstine & Osborn brain-child—who amuses viewers while driving home the sales pitch.

Hy, an amiable chap who drives a futuristic, bubble-domed car, sells by spouting nonsense and mild ridicule. "With Chevron," he proclaims, "you can back up as well as go forward." And "Chevron fits all sizes and shapes of gas tanks."

Currently, Caloil is exchanging Calso for Chevron signs in 2,300 service stations. The new signs are covered with a banner reading, "What's Come Over Our Calso Signs?" In about two weeks, Hy will appear on TV in 20 markets, as well as in newspaper ads and on billboards, to whip up interest in the mystery. When the banners come off on May 13, consumers will know that Calso has become Chevron.

Hy has been selling Chevron for about a year. After the war, Caloil moved into markets from Maine to Virginia with its Calso brand product. About a year ago, the company decided to begin switching to the Chevron name it uses in most of its marketing area. To avoid confusing the consumer, it decided, first, to make Chevron well-known, then drop the Calso brand name. To do all this with a \$2.5-million budget, Caloil and BBDO wanted something distinctive that would gain attention without shouting. Hy Finn was the answer.

Caloil is pleased with the little figure. A four-city survey revealed that after Hy had been at work for a month, 65% of people asked had seen or heard about the ads. And he boosted sales during the changeover period when the company feared a falloff.

• • •

## Retailers Chalk Up a Record Year; Branch Store Sales Turned the Tide

Considering the dismal performance of the first half of 1958, Controllers' Congress of the National Retail Merchants Assn. called the full-year performance of department and specialty stores "spectacular." Even with the bad start, a sharp recovery in the fourth quarter pulled sales to a new record. Data for the report come from 200 department and specialty stores with an aggregate volume of \$2.8-billion a year.

It was the branch stores that turned the tide. Branches throughout the country reported sales gains ranging from 4% to 7% over 1957. Downtown store sales were off 2%.

The pickup in sales was not enough to raise depart-

ment store profits. After-tax profits came to 2% of sales, against 2.2%.

The second major achievement, the Controllers' Congress states, was the "demonstration that expenses can be controlled under adverse conditions." It's true that operating costs continued to climb—but nearly 40% of the stores reporting managed to lower operating expense ratios; another 5% held them even. A 3% reduction in the size of the total work force helped keep salespeople's salaries down—from 7.1% to 7% of sales.

As the year (ended Jan. 31) wound up, inventories were "generally in excellent condition." And an upturn in the number of sales transactions in the last quarter gave hopes of continued selling stepup this year.

• • •

## Du Pont Takes Over Promotion Chore In Quality Labeling of Hosiery

Consumers who are irked by inferior goods make poor customers. The problem is most acute in lines where the consumer can't readily tell the difference between a good and a bad product.

The National Assn. of Hosiery Manufacturers says that on May 1 it will be ready with a far-reaching program to protect consumers in their purchases of men's and children's socks.

The association has been concerned with this problem for some time. About two years ago it set up a program—and a seal—for manufacturers who met certain performance standards in such respects as sizing and dye-fastness.

The program worked; about 33-million pairs have been so labeled. But the burden of labeling each pair—and of telling the consumer what the seal meant—slowed progress.

Now du Pont has come to the rescue. It will take over the job of telling the public about the seal. This will leave the association free to expand its testing, approval, and enforcement activities.

• • •

## Not a Single Western on the List As Agency Picks Effective TV Shows

TV audience ratings, on which the success of most TV programs depend, are getting a close scrutiny from sponsors and ad agencies. Latest look is a nine-month study made by Norman, Craig & Kummel, Inc., advertising agency, which concludes that many of the top-rated shows, in terms of audience size, are not the best advertising vehicles.

The agency found that the type of program aired affects both a viewer's ability to recall commercials and the commercial's immediate effectiveness. It concludes that "live, creative, non-violent" shows are the best commercial buy for most sponsors. Using its own "sponsor's rating," which includes a viewer-recall factor, the agency issued its own top 10 lists of programs, of which eight are live shows and none of which is a Western. The study stressed that the agency's own high-rated shows are in the "warm, friendly" category that promotes empathy between audience and performer.



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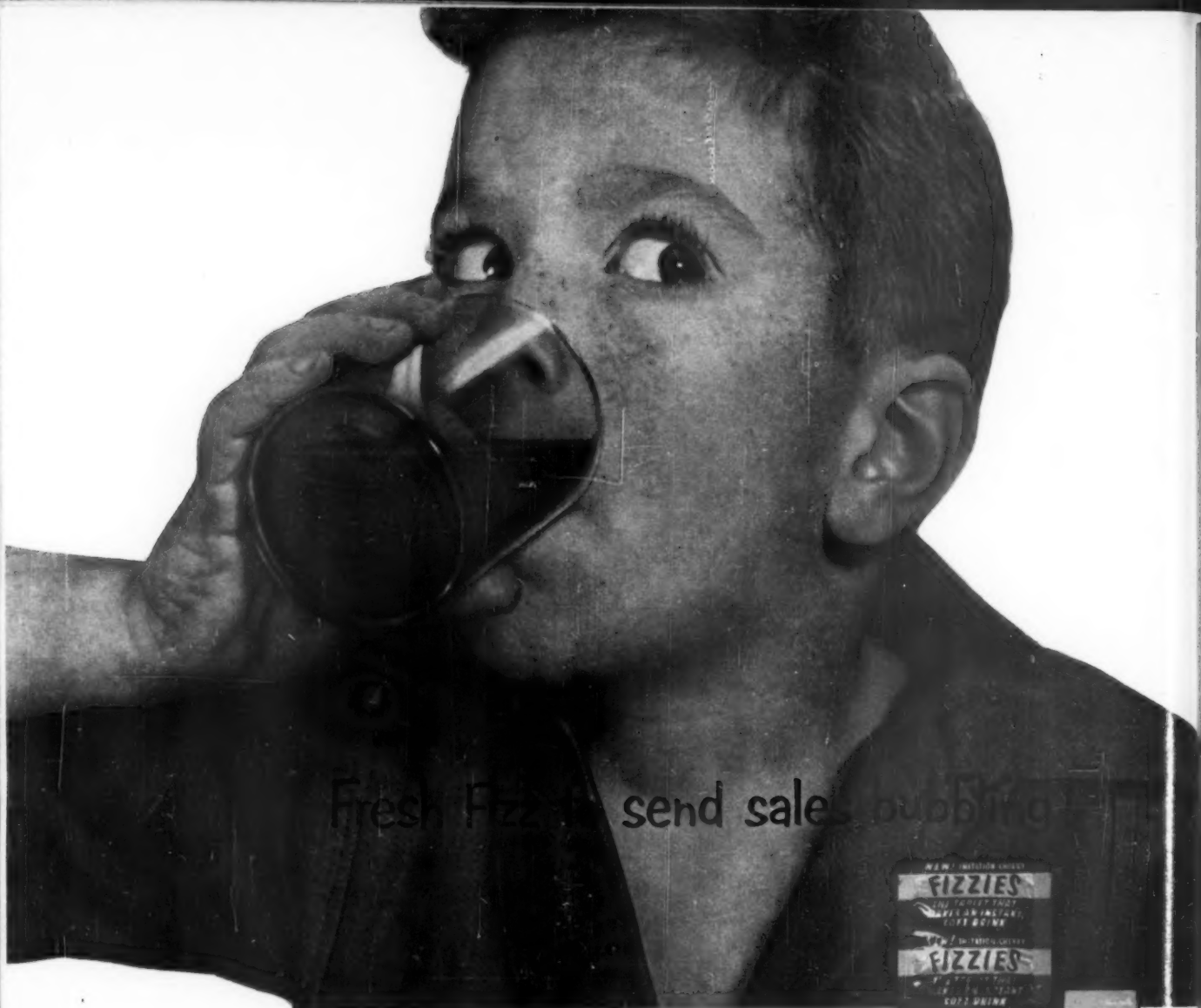
can do for the efficient operation of your building for the years ahead.

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## **Report No. 2 on the New Economics of**

# **REYNOLDS WRAP ALUMINUM PACKAGING**

Thirst quencher or headache relief, effervescent show the swift trend to "convenience merchandising"... in single portions at soda fountains, lunchrooms, etc., in multi-packs for the home. And the key to it is the laminated foil pouch that keeps these products fresh and moisture-free...always ready to fizz!

It's a useful lesson in the New Economics of Reynolds Wrap Aluminum Packaging. Manufacturers can afford this superior packaging, in strips or cards or boxes of individual portions...because the relative cost is so low compared to all other marketing factors. And they can count on a high return for the investment...as aluminum's brighter display increases impulse sales...as quality and convenience build repeat business.

Let us show you how the New Economics of Reynolds Wrap Aluminum Packaging can be applied to *your* product. At the same time, we would like to bring you data from an important study: "The Image of Aluminum Foil." Call any Reynolds sales office. Or write to Reynolds Metals Company, Richmond 18, Virginia.

Watch Reynolds TV: "Wait Disney Presents" Friday Nights on the ABC-TV Network.



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# INTERNATIONAL OUTLOOK

BUSINESS WEEK

APR. 25, 1959



The World Bank is going all out to rebuild Cairo's economic ties with the West. In the works is a big loan package, probably \$100-million or more, for widening and deepening the Suez Canal.

The World Bank hopes to bring in private investors, including shipping companies with a major stake in traffic through Suez. The bank itself doesn't plan to lend more than a small part of the total.

A World Bank mission is in Egypt now looking over the situation. Pres. Eugene Black will stop off in Cairo in mid-May.

Black may also take a look at other development projects in the United Arab Republic. The big one, of course, is the Aswan Dam—for which the Russians have promised financial help. But Western financing for Aswan might be considered again if Pres. Nasser should sever his economic ties with Moscow.

If the West should get involved in Aswan again, the U. S. would want to turn the scheme into a broad Nile development program—one that would benefit the Sudan and Ethiopia as well as Egypt.

The State Dept. is getting ready to back up Nasser in his fight with Communist-dominated Iraq. You'll see signs of this if Raymond Hare takes over as Assistant Secretary for the Middle East. Hare has spent three years as U. S. ambassador in Cairo.

State will move cautiously, wait for Nasser to make most of the plays. After all, it was Nasser who opened up the Middle East to Soviet penetration. Still, today you have to give him credit for these things:

- Since U. S. and British forces pulled out of Lebanon and Jordan late last year, Nasser has kept the United Nations agreement under which the withdrawal was made. He has dropped his earlier efforts to undermine the governments of Lebanon and Jordan.
- By his struggle against Communist control of Iraq, Nasser has proved that he is no Soviet stooge.

The feud between Nasser and Gen. Kassem of Iraq seems to have taken the heat off Western oil companies that operate in other parts of the Middle East.

At an oil conference just held in Cairo by the Arab League, there were no open demands for nationalization or even for a bigger profit share.

The leaders of Saudi Arabia and Kuwait seem to feel that with the Communists growing stronger every day in Iraq, this is no time for them to wrangle with the West.

The European Coal & Steel Community still is in a jam (BW—Mar. 14 '59, p. 61). Although the recession in Western Europe is a mild one, coal stocks continue to pile up within the six-nation CSC.

So far, the High Authority hasn't been able to do much about the "coal crisis." Member governments can't agree on how to handle it.

Now the High Authority is ready to press for this program:

# INTERNATIONAL OUTLOOK (Continued)

**BUSINESS WEEK**

**APR. 25, 1959**

- A cut in the community's coal imports (mainly from the U. S.) that would put this year's total 45% below last year's.

- A cut in production—10% by Belgium, 3% by West Germany, and 2.6% by France.

- A financial contribution, from CSC funds, to unemployed miners.

The real problem is to get member governments to accept a joint program of this sort. Actually, production and imports already are being cut—on an individual basis—to about the levels the High Authority will recommend.

Coal will continue to give Western Europe some headaches even if general business picks up rapidly. Part of the trouble has been due to tough price competition from imported oil. And this will go on.

The French, in fact, want to revamp the CSC so that oil and gas come under its wing. That way, France hopes to get a secure market for oil and gas from the Sahara. But if the French have their way on this, watch for the Common Market (the same group of nations) to impose restrictions on imports of oil from other parts of the world.

—•—

British industry now has high hopes of getting big Soviet orders for capital equipment. Many firms are banking on the talks that Sir David Eccles, president of the Board of Trade, will hold in Moscow next month (BW—Apr. 18'59, p160).

Soviet trade officials have done a lot of dickering in London already—enough to convince the British that they can get big contracts if medium-term credits are extended to Moscow. But two questions still remain. First, will the Russians be satisfied with five-year credits, the maximum under the British government's system of export insurance? Second, will London banks lend on longer term, unless Moscow offers to settle on some old defaulted Russian debts?

London can't quite figure the stubborn Soviet pressure for credits. The British have been wondering why the Russians can't pay in gold, if they really need imported equipment to carry through their Seven-Year Plan.

There's a growing suspicion in London that Western estimates of Soviet gold output, and Soviet gold reserves, have been vastly exaggerated. The figure for annual gold production usually is put at 16-million oz. (worth \$560-million) and that for reserves at \$8-billion or more.

—•—

Contrary to recent rumors, devaluation of the Mexican peso doesn't seem to be in the cards. Mexico's foreign exchange reserves stand at about \$600-million, if you include lines of credit from the International Monetary Fund. For the first time in 10 years, Mexican reserves haven't declined during April—a period of seasonal strain on the peso.

According to bankers and officials in Mexico City, speculative rumors got started merely because newly elected Mexican governments traditionally have chosen the spring as the time to devalue.

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# No Sparkle in Commodity Prices

Despite business gains and inflation talk, many foodstuffs are below year ago, and industrial raw materials show only mixed strength. Copper and sugar tell the bumpy story.

Improvement in business and talk of inflation still haven't produced price-happy commodity markets. Numerous foodstuffs, in fact, have been selling below what they were fetching early last year before recovery set in (though the high prices then were due to weather rather than economic conditions).

Even industrial raw materials, which should be direct beneficiaries of inventory rebuilding, have been anything but uniformly strong.

Here's a quick rundown of representative markets:

## Foods and Foodstuffs

**Cocoa.** Every bulge in demand still forces prices up fairly readily. However, recent quotations around 37¢ a lb. contrast with a range of 45¢ to 50¢ during much of last year.

**Coffee.** Prices are down 5¢ so far this year, 15¢ in 16 months. Steadily mounting Brazilian output, plus growing competition from Africa, are the main factors. Lately, prices have steadied at 38¢ a lb.

**Edible fats.** Cotton oil and lard seem to have stabilized recently after a year-long slide induced by excessive supplies. Butter sits stably on the government support platform.

**Grains.** Prices have come back smartly from the recent lows, with large quantities locked up under support loans. Fluctuations now follow 1959-crop weather closely.

**Livestock.** Hogs have improved a bit from the seasonal lows but remain \$5 a cwt. below a year ago. Steers have risen \$4 a cwt. since December to reach year-ago levels.

**Sugar.** World prices have tumbled and U.S. quotations have sagged since the end of hostilities in Cuba.

## Industrial Raw Materials

**Copper.** Custom smelters have been adjusting prices up and down in step with the London Metal Exchange, whose upsurge petered out three weeks ago.

**Cotton.** Prices have held in a narrow range around 34½¢ a lb.—aided by support prices—even though exports have fallen sharply.

**Hides.** High-level shoe output, at a time when cattle slaughter was little

changed from a year ago, has produced a squeeze in hides. The recent top of 30¢ a lb. was nearly double the figure of six months ago.

**Lead and zinc.** Supplies have remained ample, but import quotas have helped prices a bit.

**Rubber.** Substantially improved demand for trucks in this country, plus a fairly close supply-demand balance in natural rubber, has pushed the price up more than 3¢ a lb. in the last three months. Quotations are nearly 10¢ higher than at this time last year.

**Steel scrap.** With the opening of the ore shipping season, mills are able to continue feeding more pig and less scrap into furnaces. This has sent scrap down sharply since the end of February.

**Textiles.** Cotton printcloth has been creeping up since last summer, and there have been several markups on rayon and acetate yarns. Recent improvement in woolens finally has stiffened wool prices.

**Tin.** Sharply curtailed shipment quotas have accomplished what the buffer pool's support failed to do. Tin has climbed to around \$1.02 a lb. in New York, up 10¢ since September.

## I. Copper's Twists

Businessmen looking through this list of commodities for guideposts to future business activity—and perhaps inflationary trends—would find the search confusing. This would be true particularly in the cases of two important commodities, copper and sugar. The ups and downs of these two offer fine examples of how erratic commodity turns can be.

Take copper, which this week was settling down after nervously trying to digest last week's news that the Office of Civil & Defense Mobilization was about to unload 128,000 tons of copper earmarked for the stockpile (BW—Apr. 18'59, p176). Opposition from mining state senators has squelched that plan, but OCDM officials this week were privately talking about releasing up to 5,000 tons per month, hoping thus to recover some of the cost of stockpile buying.

The unsettling influence of OCDM's plan, however, was only the latest jolt in a long period of unrest in the copper market. This unrest is bothering the copper industry as much as it is the

U.S. businessman who needs the red metal.

• **Climb**—Copper prices started climbing last fall. Leading producers had curtailed output; and their efforts to get supply under control were greatly aided by labor trouble, notably in Rhodesia. Recovery was quickening demand, in Europe as well as the U.S.

But the rise didn't gain full momentum until this year, when the market began to show multiple signs of tightening:

• Consumers were out to rebuild inventories. And they wanted a bit more than ordinary working stocks, for fear of a general strike at U.S. mines and refineries when contracts expire this summer.

• London prices went to a premium; persistently, the quotations were higher than sellers could get in New York after paying the import tax of 1.7¢ a lb. (chart, page 146).

• Rising markets, plus the London premium—which largely precluded imports—set off a scramble to buy before prices went still higher.

• Scrap dealers, seeing the strength of their position, were sparing sellers. Custom smelters, to get the scrap, had to bid for it.

• **Spread**—Quickly a spread opened up between the asking prices of the primary producers and what the custom smelters felt they had to get. When markets are favorable, copper sold by custom smelters often brings ½¢ to 1½¢ a lb. more than producers charge. But by mid-March, the spread had widened to as much as 3¢.

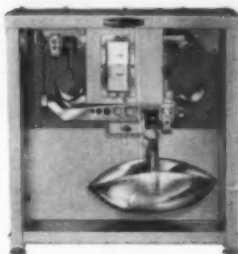
The dearth of copper in the custom smelter field stemmed mainly from the greatly reduced supply of scrap, one of the smelters' chief ingredients.

In fact, in mid-March, to get a better sighting on the whole market, all the big smelters stopped quoting prices for one week; when they reentered the market, they boosted their prices 2¢ a lb. to 34¢.

• **Tail-Off**—That put the big producers—Anaconda, Phelps Dodge, Kennecott—in a quandary. They knew they could raise prices, too. But, remembering rival aluminum's successful wooing of many new customers during the big spurt in copper prices in early 1956, they had second thoughts. So they decided to content themselves with a 31½¢-a-lb. level.

Their ploy seems to have had results. Prices of the red metal have tailed off from their mid-March highs. Custom smelters have lopped 1½¢ off their price in the last two weeks under a number of pressures—increased offerings of

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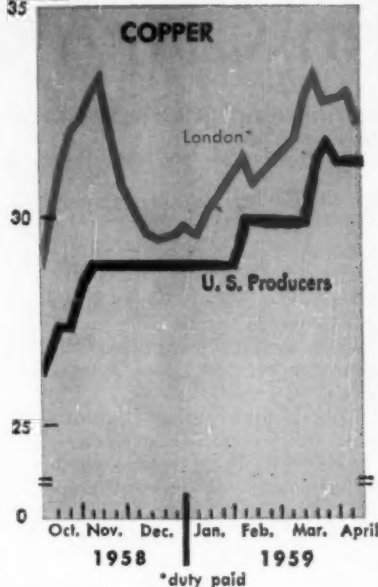
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scrap, light consumer buying at the old 34¢-a-lb. custom price, and declining prices in the more speculative New York and London markets.

• **Mixed Pictures**—How prices will turn next depends on a number of factors. But many in the copper trade look for stable prices for a few months.

The picture is mixed, however. Producers entered April with less than a month's supply of refined copper on hand; and their supply for May deliveries is already spoken for. Consumers' inventories have reached record proportions, but there's no sign of slackening—until the third quarter, anyway.

Yet free world production is again hitting new peaks, and more production increases are scheduled for the future. So industry sources see ample supplies soon, barring labor hitches.

### II. Sugar's Tumble

Sugar markets have also seen some curious goings-on. Here prices fell almost as fast as copper went up (chart, page 147).

The real problem, of course, is overproduction. Latin American countries, Hawaii, and the Philippines are steadily boosting production. This steadily drives down world prices, with domestic prices carried along.

Cuba's enigmatic Fidel Castro also has the sugar trade in a state of befuddlement as to what actions he may take that would affect prices. Last week, speaking before the American Society of Newspaper Editors in Washington, he came out strongly for boosting Cuban shipments of sugar to the U.S. Yet at midweek he had not made any

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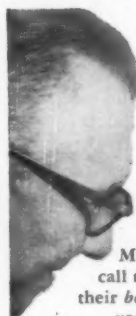
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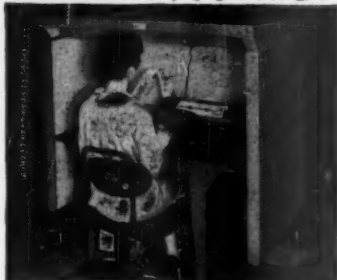
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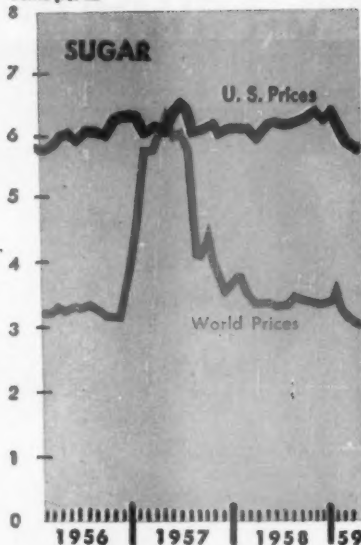
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BUSINESS WEEK • Apr. 25, 1959

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such formal request to the U.S. government.

- **Skids**—Actually, the price Cuba gets in the U.S. has suffered relatively little. It's the "world" price that has been on the skids. First it tumbled as a result of the squeeze on the market early in 1957, then it slid again recently when it was found that Cuba's crop had been little damaged by the Castro revolution.

One thing that may have made the world price vulnerable is the fact that Castro still has refused to ratify the International Sugar Agreement limiting shipments by production areas.

- **Dilemma**—Castro's dilemma is clear. He wants to increase substantially Cuba's present annual output of 5-million-plus tons, as the "only way to help Cuba diversify its production and its economy." But this would make the marketing problem even tougher.

For if Castro joined in the international agreement, he would have to hold much surplus sugar off the market.

And outside the U.S., Castro can't hope to sell profitably any meaningful part of increased production while the world market suffers from overproduction and low prices.

Last year, the U.S. bought 3.5-million tons of Cuban sugar—about one-third of U.S. needs. Any request for a quota hike would meet stiff opposition from domestic growers. Official Washington also is interested in how far Castro plans to push agrarian reform aimed at breaking up large U.S. sugar operations in Cuba.

No one close to Castro will hazard a guess as to what he will do next. But until he moves, sugar prices are likely to stay in the doldrums. **END**

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The Markets 147

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A. Z. Mellon, left, supervisor, reproduction department, at Westinghouse jet engine plant, Kansas City, and O. D. Lambirth, section engineer, examine a series of offset paper masters that emerge as a continuous roll at the rate of 20 feet a minute

from the Xerox® Copyflo® 11 continuous printer, background. The Copyflo printer has cut Westinghouse's average cost of preparing a master from 40 to 8½ cents, and saved additional time and money in other paperwork duplicating applications.

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Reproduction work at the Aviation Gas Turbine Division in Kansas City consists largely of forms, sketches, engineering drawings, change notices, and specifications. An important part of the volume is the reproduction of operational lineups, of which 100,000 to 140,000 a month are turned out.

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# Street Cheers Loudly but Warily

New energy in stock prices puts analysts in rosy mood, but they're not sure which ones to bet on—and have a wary eye ahead for second-half profits.

For the past three months, the popular stock averages have, in Dow theorist terms, been "making a line"—moving within a trading range of about 5% or so. This week, the averages burst out of the "line" shooting up behind steadily increasing volume (chart).

At midweek, this new burst of energy had carried the Dow-Jones industrial average some 15 points above its previous mid-March high of 614, about 108 points above the peak it reached in 1956 and again in 1957, and some 250 points above the 1929 high.

To most market technicians, this was a sign that the bull market was ready to resume its climb. The chart and graph fraternity holds that once the "line" is broken, the market averages tend to follow the path of least resistance—in this case, up.

• **Blue Chips in Lead**—Although the technical side of the market—and the technical jargon that goes with it—claimed most attention from the analysts, the anatomy of the market was even more impressive. Most analysts were cheered by the fact that the blue chips had regained leadership, and that the wave of speculative excesses that made prices vulnerable a few weeks back had tempered.

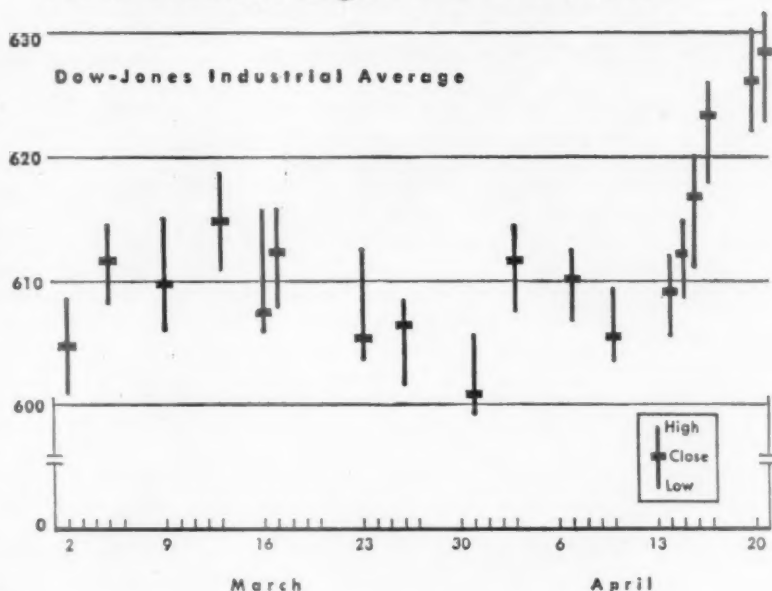
During January, when the popular Dow-Jones industrial average moved within a range of only 3.5%, blue chips generally were ignored in favor of more cyclical stocks. In February, when the market dipped, then recovered, low-priced shares got the most play. Even in March, when the averages hit new highs, the long shots were in the lead.

• **Basis for Optimism**—Besides their rosy view of the economy, analysts give three technical reasons for their optimism:

- **Volume indicators** are favorable. Turnover tends to shrink with lower prices, expand with higher quotations. When the lows for last month were recorded, on Mar. 31, trading amounted to only 2.8-million shares. In mid-March and again this week, when the market was hitting new highs, volume bulged.

- The rails are "confirming" the upward move of the industrials. The Dow-Jones rail average climbed to

## New Breakthrough for Stock Prices



170.14 last week, its high for the year, although still below the 1956 high of 182.54.

- **Customers' net debit balances** are climbing again. They rose approximately \$48-million in March to reach \$3.5-billion—highest since the New York Stock Exchange started tabulating them in 1931. So there's still plenty of credit available for customers to use in buying securities.

- **Qualms**—While most analysts foresee higher prices, they still feel the market could undergo numerous reactions. One point that bothers them is that even while the averages were climbing, many individual issues were declining. Also in their thoughts are the pending changes in margin regulations by the Federal Reserve Board. These may restrict buying power—and by "locking in" investors may make prices more volatile. The result could be thinner—and wider-swinging—markets.

A few analysts even sound somber notes of caution on the business picture. One finds business news at present "uncomfortably similar" to the spring of 1937, when steel operations rose to the highest level in more than seven years. At that time year-to-year earnings' comparisons were also favorable, he points out.

But the majority of analysts insist the economy is robust, justifying the public's faith in equities.

- **Picking Winners**—There's wider disagreement about which stocks will do

best, as new favorites come to the front.

Airlines are one example. Last year, you could read plenty about their weepy state, their worries whether the new jets would fly with enough passengers to make them profitable. Now these fears have subsided, and airline stocks have been performing well lately. But some analysts now say airline shares have been "over-bought."

Selective strength also has been evident in the textiles.

Oil stocks, on the other hand, have been lagging. The oil industry was slow to recover from the recession, still has a number of rough spots in its inventory picture. But stock analysts say oils are one group that should soon outperform the rest.

- **Eyes Forward**—This selectivity reflects the general caution of almost all analysts toward the market. Although they feel prices will work higher, they are not picking stocks at random. For one thing, they feel the market could be entering a cooling-off period now that it has burst through its old peak.

More important, they say investors—particularly the big institutions—are looking ahead toward third- and fourth-quarter earnings. First-quarter reports, they say, have proved an anticlimax; everyone knew there would be sharp year-to-year increases. But the market is a "discounter" of things to come—and right now investors are cocking a quizzical eye at corporate profits for the last half of the year. **END**

# In the Markets

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## Prices of Governments Keep on Sagging As Bond Markets Generally Feel Pinch

The cracks widened this week in the facade of uneasy stability that the money and bond markets have presented to the investment world. Government bond prices continued to deteriorate so that, at the worst this week, their yields were a hair-breadth below the 4½% ceiling at which the Treasury can issue new securities of a five-year maturity or more.

Of the 44 government issues that are due or callable in more than one year, 28 yield 4% or better. Of the 18 issues due or callable in five years or more, 15 yield 4% or better. At present prices, it is almost impossible for the Treasury to make any proposition to the market that moves out beyond the short-end.

The corporate new issue market continued to find the going heavy. The syndicate handling the \$45-million Texas Eastern Transmission Corp. first mortgage bonds, priced to yield 4.92%, split up with about half the issue sold. The bonds traded down 2½ points to yield about 5.05%. The break-up, unusual for a negotiated underwriting, came after the \$5-million Central Louisiana Electric Co. bonds, won at competitive bidding, were priced to yield 4.95%.

Prices fell in the market for new issues of state and local government bonds. As a consequence, the \$200-million New York State Power Authority issue just squeaked by. At one point this week, the new 4.20% term bonds, due in 2006 and offered at par, were higher in price than the old 4.20% bonds, that were at 99½ bid.

• • •

## Short-Term Treasury Offering Is Expected by Bond Dealers

As the government bond market sagged this week, dealers waited expectantly to see what the Treasury will do to hold down the attrition in its \$4.5-billion refunding next week. Most agreed that the break in bond prices precluded any offer longer than one year. But there was disagreement on what form the offer should take, particularly since the Treasury will have to come back for \$2-billion in new cash at the end of May.

Herbert B. Jones of New York Hanseatic Corp. favors a package offer: a one-year 4% certificate with a five-month bill. He feels the shorter bill is needed "to keep corporations in the market and cut down on attrition."

Philip V. Mohan of Quincey & Co. also thinks a package offer is feasible. He thinks the Treasury could sell a seven-month bill at 3½%, and a nine-month bill at 3¾%, possibly combined with "some other short stuff."

Girard L. Spencer of Salomon Bros. & Hutzler looks for the Treasury to sell a 15-month note, priced at 4% with a slight discount.

Philip W. Clafin of the Discount Corp. says the key to whether or not the refunding succeeds may be the

Federal Reserve's decision on the discount rate. If the Fed leaves the rate at 3%, he thinks, it should help the Treasury; lifting the rate, on the other hand, would unsettle the market. But he thinks a one-year 4% certificate is in line with the market.

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## Mutual Funds Tally Up Market Role, Find It's Tiny—But Pros Disagree

In a rebuttal-in-advance to a pending Securities & Exchange Commission study of the impact of mutual fund growth on the securities markets (BW—Aug. 30 '58, p57), the National Assn. of Investment Companies has released a study of its own.

This is a voluminous month-by-month tabulation, over a six-year period, of purchases and sales by mutual funds in relation to total trading on the New York Stock Exchange. Its conclusion: The funds' influence on the market is modest at best.

Herbert R. Anderson, NAIC president, said the funds accounted for only 24% of total trading volume on the NYSE in 1958, and their holdings are only 3.4% of the total value of listed stocks. "If the institutional investor tail is wagging the stock market dog," he said, "then the mutual funds certainly account for little more than the tip of the tail."

Many Wall Street professionals, however, say that funds are a much larger factor in trading in blue chips. The pros point to the Vickers Associates, Inc., report this week on the "favorite 50" stocks of the mutual funds. This shows big fund holdings in stocks such as Youngstown Sheet & Tube (14½% of the total outstanding) and Southern RR (16.8%).

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## The Markets Briefs

Arbitraders were able to make a quick profit this week by trading in both AT&T's "new" common stock—which reflects Telephone's 3-for-1 split—and the old presplit stock. (In this case, arbitrage consists of the simultaneous purchase and sale of essentially identical securities at different prices.) The new stock is presently trading on a "when issued" basis, which means that traders have to put up only 25% margin until the new shares are issued in June. Professional and amateur alike have jumped on the new stock, driving it to a premium over the equivalent old shares. (Typical midweek prices: new, 88; old, 276). In AT&T, by selling the overpriced when-issued new stock short, and covering the sale with a simultaneous purchase of the old, profit is assured.

The proposed merger of J. P. Morgan & Co., Inc., and the Guaranty Trust Co. (BW—Dec. 20 '58, p23) cleared its first and possibly biggest hurdle this week. New York State's banking authorities approved the marriage, designating Guaranty's main building as the head office of the proposed Morgan-Guaranty Trust. Approval must still be obtained, however, from the Federal Reserve (which will rule on operation of other Morgan and Guaranty offices as branches) and the Justice Dept. (which is looking for possible antitrust violations).



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of putting performance in plastics—or are in packaging, paper, paint, textiles or forest products, chances are Borden can help you, too. Borden is a leader in resin chemistry—has the widest range of thermoplastic and thermosetting resins and polymers in the industry. Name your problem! Write: The Borden Chemical Company, 350 Madison Ave., New York 17, N. Y.

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# Thriving West Coast firm decides to open its second Puerto Rico plant

Frank Booth, President of Interstate Engineering Corporation, says that "any manufacturer who needs a plant site owes it to himself to take a good, long look at Puerto Rico."

INTERSTATE has been operating a highly successful subsidiary in Puerto Rico since 1954.

Its Puerto Rican plant makes the Polish-Aire, a floor polisher sold on the mainland for use with Interstate's home vacuum cleaner, the Compact.

## Immediate profits

Now Interstate has decided to open a second factory in Puerto Rico, to



Polish-Aire is a double-brush floor polisher. It is made by Interstate Engineering Corporation de Puerto Rico.

increase its production of its new Magic Disc Carpet Sweeper.



Frank Booth is President of Interstate Engineering Corporation of Anaheim, California. Its products include precision parts for aircraft and for missiles.

The decision was an easy one to make. Interstate's first Puerto Rican operation was making profits within a month of its opening. And management expects that net income in fiscal 1959 will more than triple the 1958 earnings.

## Skillful workers

Interstate's early profits in Puerto Rico speak volumes for the efficiency

and skill of the Puerto Rican workers.

"Puerto Ricans learn quickly," says Mr. Booth, "and our employees are as painstaking and as productive as our workers on the mainland. Our staff is almost entirely Puerto Rican—and that includes foremen and supervisors. Puerto Ricans do all our die-casting, as well as our assembly work."

## Tax relief and balmy weather

Mr. Booth has several other things to say about Puerto Rico as a plant site:

"The Commonwealth's tax exemption plan is a wonderful incentive. But it is not essential to success in Puerto Rico. Interstate Engineering Corporation plans to stay on after the ten-year tax holiday is over."

"Puerto Rico's best advertisement is the hundreds of successful manufacturers who are already down there."

"The climate in Puerto Rico amazed me. It never gets cold, and there isn't any rainy season. You practically live outdoors. You can swim at night all year round."

When it comes to weather, bear in mind that Mr. Booth has high standards. He speaks as a Californian.

## SIX REASONS TO LOCATE A PLANT IN PUERTO RICO

**1. High profits.** The average profits after taxes of over four hundred U.S. factories in Puerto Rico are more than double the mainland average.

**2. Ten-year income tax holiday.** Puerto Rico is a self-governing Commonwealth within the American Union. It has no vote in the United States Congress. Consequently, in accordance with the principle of "no taxation without representation," Federal taxes do not apply. That is why Puerto Rico is able to grant

one hundred per cent tax exemption for ten years to new industry. Only genuinely new or expanding operations qualify—never runaway plants.

**3. Political stability.** Property and investments are protected by the Constitutions of both the United States and Puerto Rico.

**4. Excise tax exemption.** Manufacturers receive a permanent exemption on all raw materials, machinery and equipment essential to the actual manufacturing process.

**5. Abundant, skillful labor.** There are 637,000 workers in Puerto Rico. Thirteen per cent are unemployed.

**6. No currency or customs problems.** The dollar is currency. No passports needed. Money, people and goods move to and from the U. S. without red tape or tariffs.

**For further information** about Puerto Rico, write Commonwealth of Puerto Rico, Economic Development Administration, Dept. BW-92, 666 Fifth Avenue, New York 19, N. Y.

# What Hamstrings Big Business

**U. S. Steel's chairman pinpoints labor and government as the external forces that affect the performance of a corporation.**

The corporation is "the master key to material growth in a greater society." But its principal spur to more efficient production is "the lash of competition." And the competitive principle is being threatened by forces outside the corporation, chiefly by powerful unions and by those in government who fail to understand the dynamics of productive groups.

This was the thesis of three McKinsey Foundation lectures delivered this month at Columbia University's Graduate School of Business by Roger W. Blough, chairman of U. S. Steel Corp. Blough's addresses, which he concluded this week, were the fourth in the annual series.

- **Major Stress**—Like his predecessors—General Electric Co.'s Ralph J. Cordiner, Sears, Roebuck & Co.'s Theodore V. Houser, and du Pont's Crawford H. Greenewalt—Blough spoke in Columbia's Low Memorial Library to an audience composed primarily of business executive guests.

Like them, he talked about the corporation—its place in our society, its contributions, its strength, and its vulnerability. But, unlike them, he put his major emphasis on the external forces that affect its performance.

- **Defense**—The earlier McKinsey Foundation lecturers stressed three issues: (1) the management problems posed by corporate bigness, (2) how the corporation should handle its relations with its publics, and (3) the desirability of conformity and of incentives within the management group.

Blough also dealt with all these subjects. He defended large-scale production groups as necessary "to initiate and accomplish modern-sized jobs," to perform America's larger production tasks in research, in production, and in the procurement of raw materials. In a free society, he said, voluntary associations of men for production are indispensable to material growth, for "only by cooperation and specialization can free men attain their ends." And, provided other groups are free to compete, "size is not power" and "usefulness is not evil."

- **More Common Interests**—Blough talked about the corporation's relations with the community, suggesting that "reasonable support of an appropriate number" of nonprofit groups is "both a proper and essential function of a



U. S. STEEL'S Chmn. Roger W. Blough, lecturing at Columbia University's Graduate School of Business, tells of threats to the competitive principle of U. S. enterprise.



AUDIENCE, composed largely of other business executives, hears the blame placed on powerful unions and on government policies that fail to support industry's growth aims.



## BELL GIVES CONSTRUCTION MEN THE UPPER HAND

A lot of people in the construction business are counting the Bell helicopter among their "couldn't do without" equipment. It lets them stay on top of the job as no ordinary machine can.

Take one construction company's experience with Bell helicopters on a hydro-electric project in the Canadian Rockies. *Take time:* Teamed with a Bell, the survey crew completed the initial survey in *ten days* as against *three years* by land. *Take terrain:* One Bell alone flew 175 passengers and more than 18 tons of freight high up into snow-covered mountains in just slightly over 100 flying hours. *Take trouble:* (and money!) High-site workers were hauled to and from locations, cutting travel costs from 75% to only 8% of the men's pay. Morale was higher, too, because the Bell was there to speed any injured worker to hospital care.

Obviously construction men use the Bell because it saves them money. But there's something else. Just to own one is to feel its total sense of freedom, for the Bell is the most independent conveyance in the world. It goes anywhere, anytime, ignoring roads, runways, mountains and water. Maybe it's time you looked into the advantages and economies of using a Bell in your business. Let us send you some facts about operation and cost. Address Dept. 11D, Bell Helicopter Corporation, Fort Worth, Texas.

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profit-motivated group." Mutual interest between profit-making and non-profit groups is necessary to both.

Blough also recommended that the corporation urge its employees to exercise their rights as citizens, including active interest in and financial support of the political parties of their choice. The corporation of course, he said, should not require any members of its group to adopt a particular point of view or a particular party.

But, Blough said, when matters arise that vitally affect the welfare of the group, individual members of the group may—and should—speak up.

• **The Individual**—Blough also examined the corporation's relationship with management and other employees. The individual in the corporate group, he pointed out, has both opportunity and encouragement to grow professionally and personally.

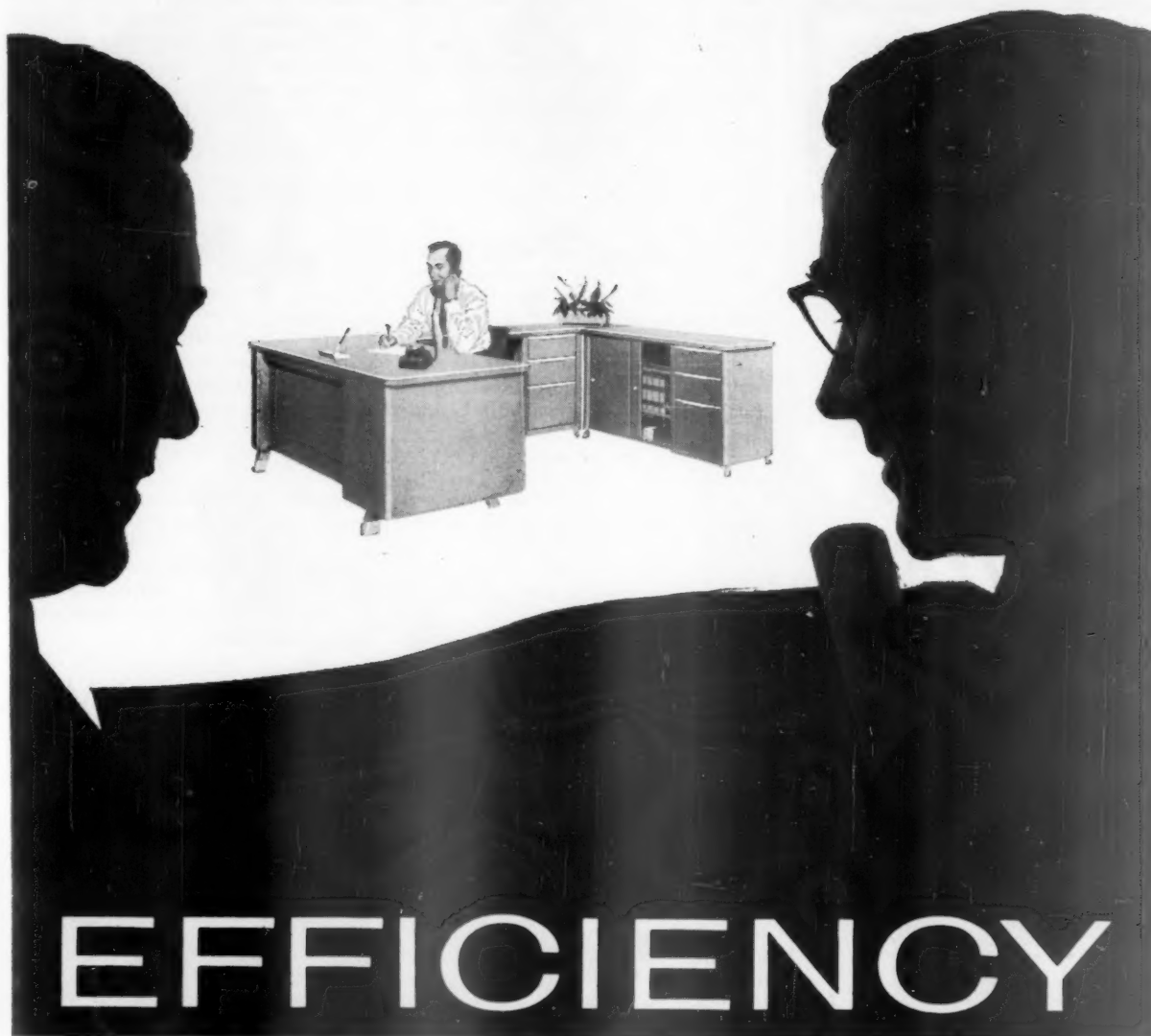
Blough conceded that "membership in a productive group requires conformity, some acceptance of the mores of the group." But, he said, this is also true of noncorporate groups, and "it is natural and necessary. . . . When individuals elect to associate together in an interwoven pattern of cooperation to achieve production, there are bound to be some orderly means of getting the group's objective accomplished."

If that objective is to grow red roses, he said, an individual who prefers pink roses may feel frustrated. But he has the opportunity to persuade his associates to go into the pink rose business—"conformity is a two-way street." Or he can exercise his ingenuity in improving the red rose business. "Within this orderly structure of organization there is great opportunity for diversified individual employee initiative and creativity, which are not only consistent with, but are absolute requirements for achievement of the group objectives."

• **External Forces**—Despite this attention to the corporation's impact on the public and on employees, Blough's chief concern was the external forces that act upon the corporation.

Members of a free society, Blough declared, can meet their industrial and physical requirements only by means of voluntarily formed productive groups of individuals. Competition among these groups, which "provides the most searching disciplines a free society can secure," is the "swiftest and most effective means of attaining society's physical needs." The activities of powerful multiple-company unions with inter-industry affiliations "cut across and thwart the operation of the competitive principle, even to the point of endangering that principle."

The formation of unions to negotiate on conditions of employment, he said, "is consistent with our basic concept of free association. . . . But the activities



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and objectives of the labor union group should not be inconsistent with the objectives for which free men chose to associate as a productive group in the first place."

Loyalties are divided and the integration of the corporation is imperiled where one union represents employees of competing corporations. The original purpose of the group becomes "secondary, if not completely lost."

• **Union Pressure**—Blough blamed "out-of-line labor cost increases forced by major labor unions" for the "cost-push type of inflation" he said we have been undergoing.

When the nationwide multiple-company union "overwhelms all before it," Blough declared, the competitive principle that normally regulates prices must likewise yield ground and begin to function again at a high level. Thus, he said, the existence of the larger business units and their pricing policies should not be blamed for inflation, "upon which the business units actually have a reverse effect when they are free to act naturally."

• **Government Support**—What is the

solution to inflation? Not wage and price controls, according to Blough. "Weakening the competitive principle still further" is hardly "a remedy for a condition which has weakened it."

Instead, he said, government policies should support the competitive principle. Government should seek to insure that the voluntary productive groups "increase in number and in effectiveness" since "they constitute our major instrumentality for national growth."

Productiveness, he suggested, could be increased by more attention to "the unexplored art of taxing for national growth." Specifically, Blough suggested tax encouragement for research and development and depreciation regulations that take into account the replacement cost of production facilities.

• **Unions' Role**—The unions, too, he said, need to achieve "a greater understanding of how production requires a unity and integration within each self-generating group. . . . Private policy and even public policy must recognize that labor practices which impair the competitive principle are incompatible with a free society."

## Alcoa Makes Way for Younger Men

Company indicates changing attitudes by naming new chief executive and three executive vice-presidents.

Aluminum Co. of America broke some of its traditions this week in naming three executive vice-presidents and making Pres. Frank Magee chief executive officer in a transfer of power from Chmn. Irving W. Wilson.

For years, the highest-level people at Alcoa have not retired at 65. Arthur Vining Davis, Wilson's predecessor, left the job at 90. But recently the company has come to feel that it must unclog its top level to allow younger men to progress quickly to officer status.

So retirement at 65 is becoming increasingly common at Alcoa, even at the vice-presidential level. Wilson, in releasing the executive reins at 68, may be foreshadowing his own departure. Magee is now 63; before moving up to the presidency 18 months ago (BW-Sep. 28 '57, p182), he was executive vice-president—the only man to hold that title in Alcoa's history, until this week.

The three new executive v-p's are M. M. Anderson, formerly vice-president in charge of personnel and industrial relations; Leon E. Hickman, formerly vice-president and general counsel; and Lawrence L. Litchfield, Jr., formerly v-p in charge of raw materials and refining.

In Alcoa terms, two things are re-



Frank Magee

markable about the new organization.

• The company's entire management tradition has been to give managers autonomy and free access to the top (BW-Jun. 6 '53, p70). Imposition of the new level of authority—executive vice-presidents—hints at a change on at least the latter point.

• None of the three new executive vice-presidents ever spent any time in sales. Previously, most of the top brass had had at least some sales experience.

But much of Alcoa's future depends on these men. **END**



I want a new plant building.



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# In Management

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## Average Company's Annual Meeting Draws Fewer Than 1% of Stockholders

Fewer than 1% of stockholders turn up at the annual meetings of most of the companies recently surveyed by the publication *PR Reporter*. More than half of the 100 publicly listed corporations surveyed serve free luncheons to stockholders who attend; more than two-fifths provide plant tours; and more than one-third issue special invitations. Yet their average percentage attendance is 0.8% of the total stockholder family.

Even last week's American Telephone & Telegraph Co. meeting, which drew some 12,000 stockholders, did not beat that average. The turnout—far above the previous year's 2,500—was a record for AT&T, quite possibly for the corporate world. Yet it represented only a little more than 0.7% of the company's 1,625,000 shareholders.

Higher percentages (the highest 4½%) were mostly scored in the *PR Reporter* survey by companies with less than \$100-million in sales. There seems to be no correlation, according to the publication, between the percentage of attendance and the provision of extra blandishments. Headquarters cities are favored as annual meeting locations by 81% of the companies questioned, with April as the most popular month. About 5% rotate meetings annually among plant cities.

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## Railroad Merger Talks Continue, Even When One Deal Falls Through

Railroad mergers continue to be a major topic of discussion among lines, and even when talks break down, all is not necessarily lost. Erie RR, Delaware, Lackawanna & Western RR, and Delaware & Hudson Co. studied a three-way merger for more than two years before calling it off because of deficit operations and high taxes that hamper the Erie and the Lackawanna but not the D&H. Now the Erie and the Lackawanna are trying to work out a merger between themselves.

At the same time, John W. Smith, president of the Seaboard Air Line RR, told the New York Society of Security Analysts that "prospects are bright" for a consolidation of his line and the Atlantic Coast Line RR. And Norfolk & Western Railway Co. and Virginian Railway Co. are submitting to their stockholders, at meetings on Apr. 30 and May 14, a proposal for the merger of these two lines.

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## Rexall Employees to Vote Fund Stock

Rexall Drug & Chemical Co. is planning to let employees participating in its profit-sharing program decide how the Rexall stock held by the fund shall be voted.

Beginning with next year's annual meeting, each employee will get proxy forms covering his pro-rated share of the 15,000-odd Rexall shares (about 5% of all outstanding) owned by the fund. He will instruct the Security-First National Bank in Los Angeles, the fund's trustee, how he wants to vote on directors and any issues raised, and the trustee will vote his allotted shares that way.

The voting plan is similar to one adopted by Sears, Roebuck & Co. last year (BW—May 10 '58, p54), but there's one fundamental difference in the participants' status: In the Sears program, the stock is actually credited to the worker's account and goes with him when he retires; in the Rexall set-up, the stock is held by the fund and the employee gets cash when he leaves.

Rexall changed its name this week from Rexall Drug Co. to the present title.

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## Management Briefs

A U.S. Foil Co. stockholder has asked in a Delaware court suit that the company be liquidated. He claims that the company, which controls Reynolds Metals Co. and is controlled by the Reynolds family, exists only as a means of keeping control of the metals company in the family's hands. Only 360,000 shares of U.S. Foil's total outstanding stock—altogether more than 6-million shares—having voting rights. The dissident stockholder, Alfred T. Manacher, says he's the largest individual holder of the non-voting shares.

Management won the proxy fight at Pfeiffer Brewing Co., Detroit (BW—Apr. 4 '59, p138). The dissident stockholder group managed to win only one of seven directorships.

Frederick W. Richmond, corporate investor who last September bought a big chunk of stock in Houston Oil Field Material Co., last week solidified his control of the company. The board was cut from 14 men to 10, including Richmond and seven of his associates. Six pre-Richmond directors, including three company officers, were dropped from the board.

The management of Vertol Aircraft Corp. has won another round in its feud with Vertol founder Frank Piasecki. The helicopter company ousted Piasecki as its board chairman in 1955 and got him off the board a year later (BW—Apr. 14 '56, p120). But Piasecki and his associates in his present company, Piasecki Aircraft Corp., retained enough stock to name three outside directors to the 13-man Vertol board. At the Vertol annual meeting this week the management mustered enough votes to reduce the number of Piasecki directors to two.

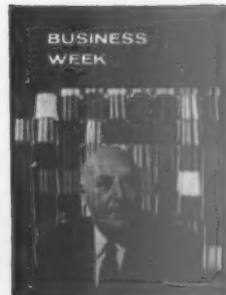
U.S. Industries, Inc., last week decided to do away with cumulative voting in board elections. The practice was a hold-over from the days the company was Pressed Steel Car Co., Inc., incorporated in Pennsylvania where cumulative voting is mandatory. But now USI is incorporated in Delaware and has dropped the voting system lest it allow a dissident element onto the board.



## It's not how many, but who

Three generations of perfectionists look at you from this picture . . . Founder Henry E. Steinway, Chairman William R. (singing), and Henry Z., President. Public citizens, able businessmen . . . craftsmen concerned not with "how many," but only with "how well." Product: the piano of Paderewski and Van Cliburn, "the instrument of the immortals." And yet, there is a common chord between Steinway & Sons and we who publish Business Week. Not alone that Chairman and President

both are readers. Something more: our product, like theirs, never was intended for everybody. For management only. By subscription only. Like the Steinways, we believe that to serve a discriminating few, you must perform supremely well. And you are rewarded in proportion. That is why, for many years, Business Week has led all general-business and news magazines in pages of advertising. *A McGraw-Hill Magazine* — Member Audit Bureau of Circulations



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# PERSONAL BUSINESS

BUSINESS WEEK

APR. 25, 1959



Is your portfolio geared for inflation?

This is a lively topic today, and for every conversation about how to cope with the threat of inflation comes at least one full-fledged theory on successful "hedging." Here the gamut pursued by investors runs wide—it includes buying (among other things) all varieties of common stock, real estate, commodities, and such items as rare paintings, diamonds—and gold.

The question is just how good are these popular hedges—assuming the fear of dollar erosion is justified?

Common stocks, of course, are the investor's usual approach.

It's easy to see why. Take the 10-year period from December, 1948, to December, 1958. In that span, the cost-of-living index (about the best measure of inflation) jumped slightly over 20%. At the same time, industrial commons (Standard & Poor's average) shot upward 225% in value, based on 1948 buying power.

The trouble is that while averages went up, all stocks didn't. It means, of course, that selection of the right issue is still the key to success. For example, at the end of 1958, over a third of all commons listed by the New York Stock Exchange still were below their 1946 peaks.

Also, you have to consider timing of your purchase. Suppose you bought at a peak in the market after World War II and were faced with a decline shortly after your date of purchase. If you could afford to be patient, most stocks eventually went up in price, but the waiting period can often be pretty long. For example, measured from the price peak in 1946, 12 of the stocks presently in the 30-stock Dow-Jones industrial average took from five to seven years to recapture their 1946 highs; two others took 12 years; and one is still trying.

Some other not-so-apparent drawbacks to consider when you weigh the idea of commons as a hedge:

- **Cost of living.** Contrary to what most people believe, the prices of common stocks don't necessarily "follow" the cost of living. The fact is, stocks often have declined in value while consumer prices rose. From April, 1956, to October, 1957, for example, stocks in the Dow-Jones industrial average dropped 19% in price, while consumer prices rose 5%.
- **Low yields.** You may pay a high current price, maybe a prohibitive price, for the privilege of satisfying long-term objectives. Based on current prices, many popular growth stocks are yielding only 2½%—some less.
- **Taxes.** When the apparent future benefits of a long-term inflation hedge are measured, the capital gains tax—a 25% bite if your tax bracket is 50% or over—must not be overlooked.

**What about real estate as an inflation hedge?** In the 1948-58 period, when the consumer price index rose over 20%, the selling price of a "typical" one-family residence was up slightly less than 1%, based on 1948 dollars. Farm real estate fared better—on average it scored an increase of 28%.

Some owners of realty, of course, did a lot better than the averages. But the point is, a great many did worse. The problem: to invest in at least a "typical" piece of property, one that overcomes such uncertainties as (1) location hazards, (2) style changes, (3) zoning law changes, (4) rent control restrictions, (5) poor tenant risk, (6) latent construction defects—not to mention the unpredictable ups and downs that beset the building industry.

Commodities present another opportunity—and another set of prob-

# PERSONAL BUSINESS (Continued)

**BUSINESS WEEK**

**APR. 25, 1959**

lems, too. Dealing in "futures" (wheat, cotton, and so on) is, by and large, a short-term rather than a long-term venture. Moreover, commodity market price movements often are quite erratic and often independent of inflationary pressures in the economy.

And what about art objects, diamonds, gold? Mostly, such hedges can be labeled "sophisticated gambles." For instance, a Van Gogh, bought about 30 years ago for \$15,000, recently sold at a London auction for nearly \$370,000—but such strikes are rare. Sometimes the result can be financially calamitous. A Romney painting originally bought by a collector for \$225,000 was auctioned a few years ago for \$22,000.

Diamonds take expert buying and selling and are subject to uncertain and unpredictable market influences. Insurance costs alone can eat up a sizable part of one's profits.

With gold you gamble on future government policy. You can't buy and hold it in the U. S.; so you must go abroad and have your purchase stored overseas—and for this you pay a storage charge instead of receiving interest. You hold it basically in the hope that the U. S. will increase the official purchase price, now \$35 an ounce.

Even gold is a gamble.

—●—

If you're one of the four out of seven persons in the U. S. who aren't protected against polio by Salk vaccine, you had better check with your doctor.

Preliminary figures suggest that 1959 will have a higher incidence of the disease than 1958 unless those who haven't had polio shots start immunization right away. And don't assume that older persons are immune. A National Foundation physician recommends that everyone be vaccinated. The second shot usually is given a month after the first, and the third about six to seven months after that.

If you had the three-shot vaccination series more than a year ago, it would be a good idea to talk to your doctor about a fourth shot. By the way, don't expect an early endorsement of the new-type "live" polio vaccine for general use despite reportedly successful large-scale tests in other countries. Surgeon General Leroy E. Burney has ruled against it at this time.

However, the U. S. Public Health Service has approved a four-in-one vaccination to protect preschool children against polio, diphtheria, whooping cough, and tetanus. The new multiple vaccine reduces the immunization course for the four diseases from six to four injections.

—●—

Reminder: Reconfirmation rules for international passengers on airlines serving the U. S. and Canada, in effect on all scheduled trans-Atlantic flights for the past year, have been extended. You must reconfirm your return or onward flight space at least 72 hours before departure, or the seat will be made available to someone else.

To reconfirm, simply contact any area office of the airline. The rule doesn't apply if your destination stop is for less than three days.

—●—

Mutuel fun: For more savvy at the tracks, you might want to take a look at a new book, *The Odds, The Player, The Horses*, by Robert S. Dowst (Dodd, Mead, \$3.50).



ROYAL V-BELTS

# THE NEW, ALL-NEW U. S. ROYAL V-BELT



**NEW** *all new* because its cords are treated by an entirely new automation process. Every cord is impregnated with latex in every fiber (not merely surface-coated). Every cord is then built into the belt under tension, with errorproof electronic precision to insure that each will pull its uniform share of the load.

**NEW** *all new* because the belt is cured by a unique method of molding developed by U. S. Rubber. Consequently there can be no inner or outer imperfections, no harsh bumps. This means smooth-running performance, long belt life.

**NEW** *all new* because the new covers of new fabrics become a homogeneous blend through new molding techniques. This results in longer belt life by increasing wear resistance.

**NEW** *all new* because this new method of construction results in strength to spare...a reserve of strength which combined with vibration-free running, results in greater drive efficiency.

**NEW** *all new* because U. S. Royal V-Belts feature perfect matchability. Born matched, they stay matched.

U.S. Royal V-Belts are in stock at all "U.S." Transmission Distributors. . . .

**When you think of rubber, think of your "U.S." Distributor. He's your best on-the-spot source of technical aid, quick delivery and quality industrial rubber products.**



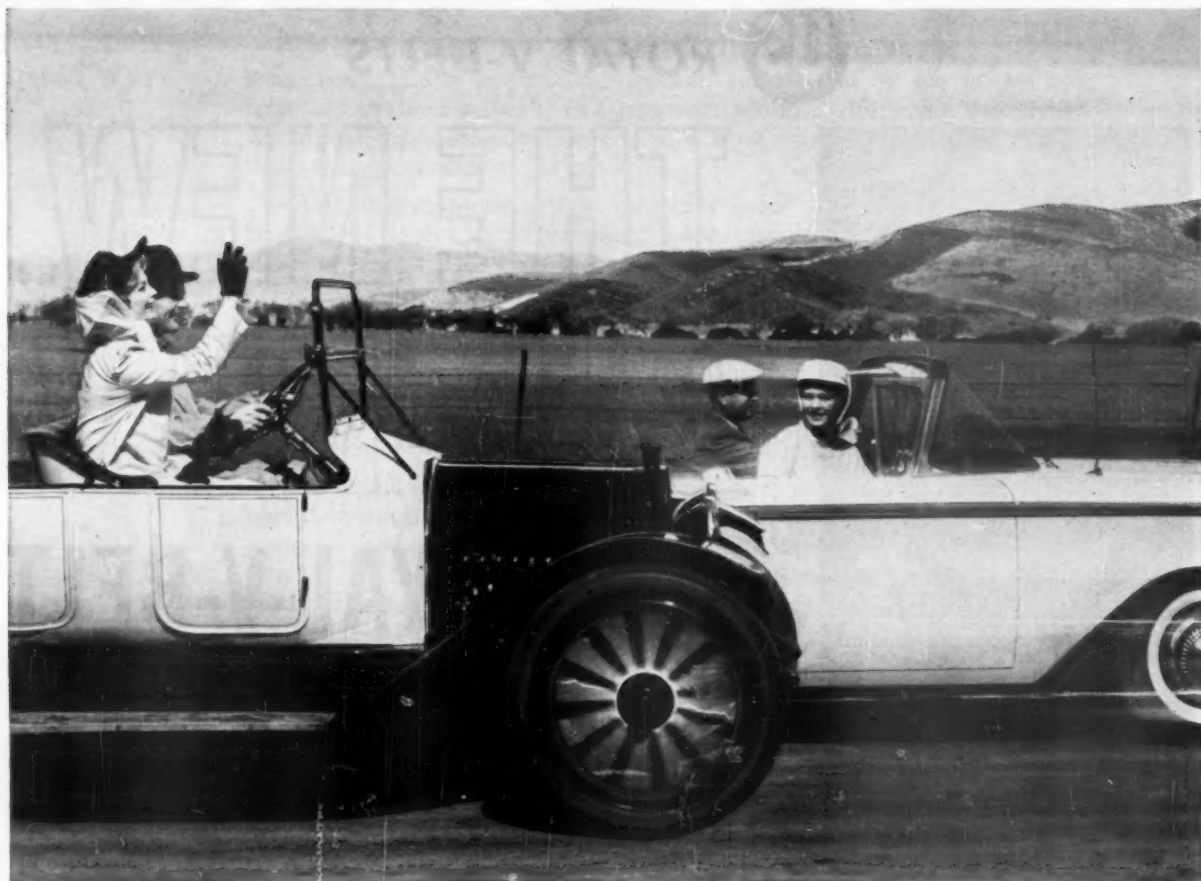
Mechanical Goods Division

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In Canada: Dominion Rubber Company, Ltd.



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It is no wonder that all 1959 makes of U. S. passenger cars carry Bendix equipment. For half a century, Bendix has successfully anticipated the automotive industry's requirements. By continuous research and new product development, we have helped make scores of automotive advances that have not only made driving easier, safer and more pleasant but have also helped create a market for millions of new cars.

For example, the famous Bendix\* Starter Drive was first used on the 1914 "Baby Grand" Chevrolet, pictured above. This "mechanical hand that cranks your car" helped eliminate dangerous hand cranking, changed the auto from a luxury for

men only, and opened new markets by helping put 20,000,000 women in the driver's seat.

Bendix introduced duo-servo four-wheel brakes in this country. Since 1927 we have produced more than 135 million brakes for cars, trucks and buses. Chances are every car you have driven since then has had Bendix type brakes. Bendix\* Power Brakes were a natural evolution. You can buy them on many 1959 models or have them installed on your present car. Our latest development is the self-adjusting brake which automatically adjusts itself as wear occurs and is standard equipment on several new cars. Proof of the superiority of our

Bendix-Eclipse\* Brake Lining is found in the fact that it is used on more new vehicles than any other make.

Bendix also pioneered the development of power steering for cars, trucks, buses, farm tractors and off-the-road vehicles. Industry's use of power steering increased to 41% in 1958.

Among other Bendix products for a nation on wheels are car radios, Stromberg\* and Zenith\* Carburetors, electric fuel pumps, filters and universal joints. Based on past performance we are confident that our engineers will continue to create successful new sales features for a dynamic industry.

\*REG. U.S. PAT. OFF.

*A thousand products*



*a million ideas*

# In Production

## Monster Ditcher Puts More Speed In Texas Canal Rebuilding Job



Conventional methods of building irrigation canals are giving way along the Rio Grande in Texas to the voracious appetite of this monster ditcher. The 44-ton Gar Wood Industries machine (picture) termed the world's largest production model ditcher—can push along at an average 7 ft. a minute as it gouges out a trapezoid-shaped ditch 22 ft. across the top. At full tilt, it gobbles up to 800 cu. yd. an hour.

The giant \$160,000 ditcher usually tows a concreting boat behind it, so the ditch builders can line the canals as they go along. Its owner, the Cameron County Water Board, is using it to rehabilitate over 135 miles of 50-year-old irrigation canals. The five-year job is expected to serve as a model for similar projects throughout the Southwest. Its cost is put at \$4.5-million.

• • •

## New Aluminum Extrusion Process

### Makes Steering Wheel at One Clip

Aluminum extruders are beginning to bring to their craft all of the wizardry in shaping of the master glass blowers. Latest sample is a new metal shaping technique that fabricates from an aluminum slug, in one fast stroke, such complex shapes as valve handles and the hub and spokes of a steering wheel.

The method, developed by Aluminum Co. of America, in effect combines forging and extrusion operations. The metal is flowed outward at any angle to form the desired spokes or vanes at the same time the core is being formed. Alcoa says the process will produce parts of higher strength, lower tolerances, and less porosity than is normally obtained from casting, forging, or drawing.

Alcoa also unveiled this month some ultrasonic welding tricks for its aluminum foil users. New ultrasonic welders (BW—Jan. 3 '59, p. 50) will be used to splice foil ends during rolling, with a  $\frac{3}{8}$ -in. bond as strong as the parent metal. The inconspicuous bond doesn't tear

## MORE NEWS ABOUT PRODUCTION ON:

- P. 166 Post Office Automation Plans.
- P. 176 Gas Turbines Look for More Jobs.

• • •

## Electronic Systems, Magnetic Paint

### Keep Tabs on Moving Rail Cars

Three new systems of identifying moving trains or freight cars automatically are now available to railroads. But two of the methods face an old problem: To be fully effective, they'd have to be adopted by all companies with cars in interchange use.

One of these is Link Aviation's electronic system, in which a small response block is mounted underneath the car or locomotive. When this block passes over an interrogator coil buried in the trackbed, it sends out a signal—different for each block and each car—to an interrogator unit that decodes it and relays identifying information to data processing equipment. The block will cost \$10 to \$50 installed, and the interrogation equipment from \$5,000 to \$10,000, depending on the amount of information required. Western Railroad Supply Co., Chicago, is handling sales for Link.

A somewhat similar system developed by United States Radium Corp., Morristown, N. J., and Electronic Associates, Ltd., Willowdale, Ont., uses varying patterns of small radioactive sources to identify each car. The pattern of radiation is picked up by sensors at a detection point and sent to a decoder and then to a readout device. Neither this nor the Link system requires any power from the car, and both manufacturers foresee applications to trucks and buses as well as trains.

A system of magnetic striping might be easier for one road to use on cars traveling on its line even if others didn't adopt it. In this method, car identification is punched on a keyboard controlling paint nozzles mounted between the rails. As the car passes over the nozzles, a pattern of magnetic or reflective paint is sprayed on in binary stripes, which can be read by identifying equipment in a freight yard and decoded. The stripes would last about 30 days. The system was developed by the Great Northern Ry.'s research department.

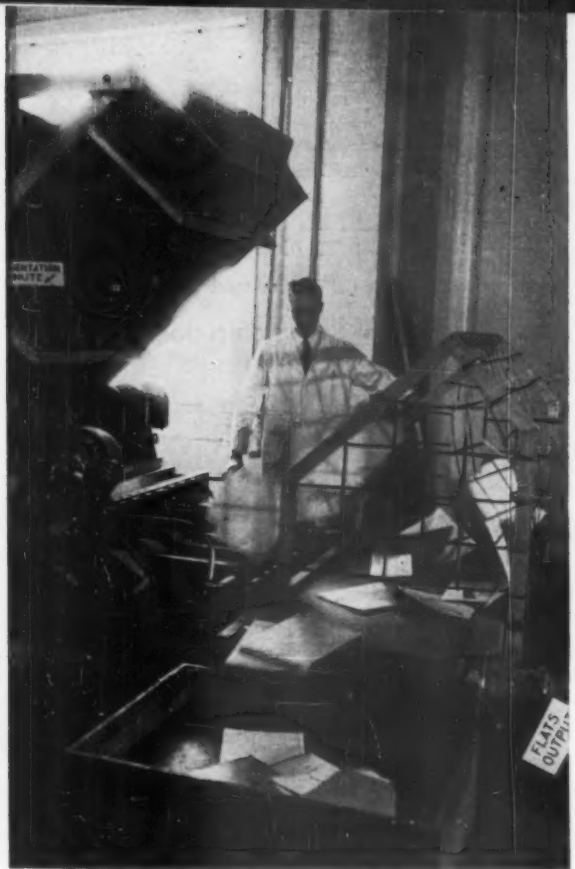
• • •

## Flatcar Gets an Umbrella

A flatcar with a sliding hood for transporting large and bulky aircraft parts has been developed by the Avco Mfg. Co. The sheet metal hood, which is parted at the center, fits a standard 90-ft. flatcar. The hood slides back for loading and unloading but is closed when the flatcar is in transit to protect the aircraft parts from the weather.



**CULLER** segregates mail by type on a series of vibrating belts. All along the way . . .



. . . different sorts—in this case, flats—are diverted for special processing. This culler is by Emerson Radio.

## Automation Peps Up Post Office



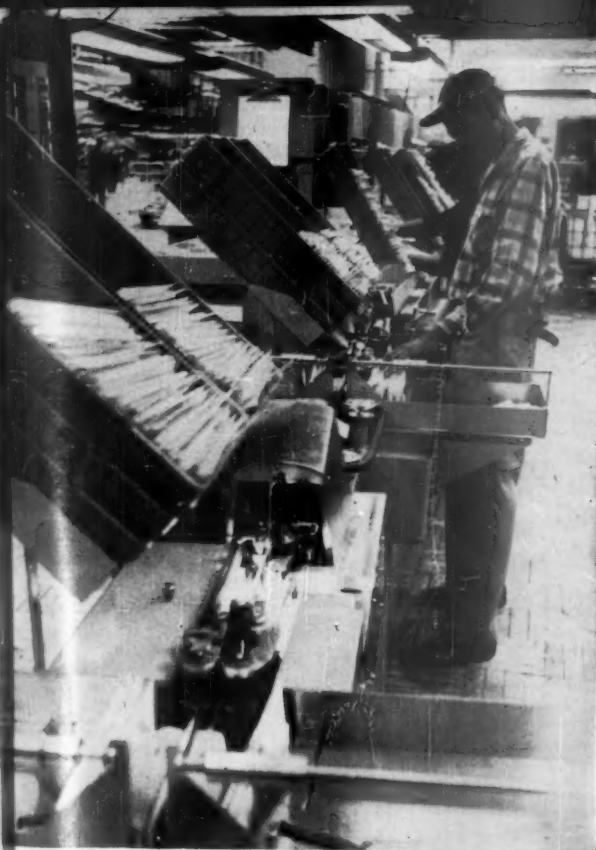
**MANUAL METHOD** of sorting letters eats up man-hours, and racks waste space. With mail volume doubled since 1939, automation is vital.

In trying to run the nation's postal system like a business, the Administration is introducing some new-fangled methods.

When the Republicans flocked to Washington six years ago to take over the Administration, the Post Office Dept. presented a particular challenge. It seemed an obvious place to demonstrate how they could live up to campaign pledges to run the federal government like an efficient business.

Postmaster Gen. Arthur E. Summerfield's success in this effort has been mixed. On the minus side, business-like methods sometimes conflicted with the traditional political interest in postal jobs and with Congressional opposition to rate increases. But on the plus side, even Democrats are now paying tribute to some of Summerfield's ideas for the department.

The most spectacular advance is the rapid coming of modernization and mechanization to post offices across the land (pictures). No longer do grizzled staffers shrug off automation by asking: "The old methods get the job

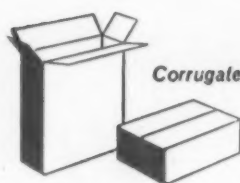


**SORTER** can handle 25,000 letters an hour with six operators. Intellex devised this system.

**FACER** by Pitney-Bowes receives letters from culler, arranges them properly, and prints cancellations.



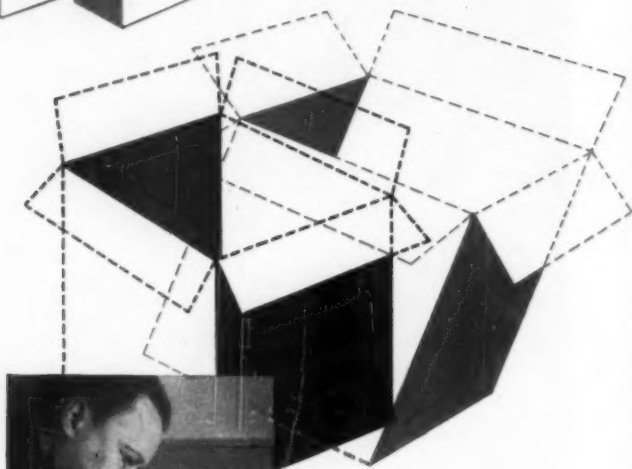
**AUTOMATIC WAY** to sort the mail requires operator to read address, then punch keys to carry each letter to proper bin for its destination. Machines to read address are under study.



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**51<sup>st</sup>**  
YEAR

done, don't they?" The old methods break down under today's crushing volume of mail—61-billion pieces last year, compared with 30-billion handled in 1939. The load is expected to double again in another 25 years.

• **Major Mechanization**—So Summerfield has launched a \$2-billion program to bring "major mechanization" to most of the postal system by 1964—he hopes. The program calls for both building and remodeling post offices and for automating methods of handling the mail—the biggest production problem in the business.

As an example of the department's new businesslike approach, the plan is that private industry will put up \$1.5-billion of the capital for the \$2-billion streamlining program. Companies are expected to build facilities and then lease them to the Post Office under long-term contracts. The remaining \$500-million will be sought from Congress; \$88-million has been requested for fiscal 1960 as the first installment, but this has already been trimmed to \$75-million by the House Appropriations Committee.

### I. Streamlining the Plants

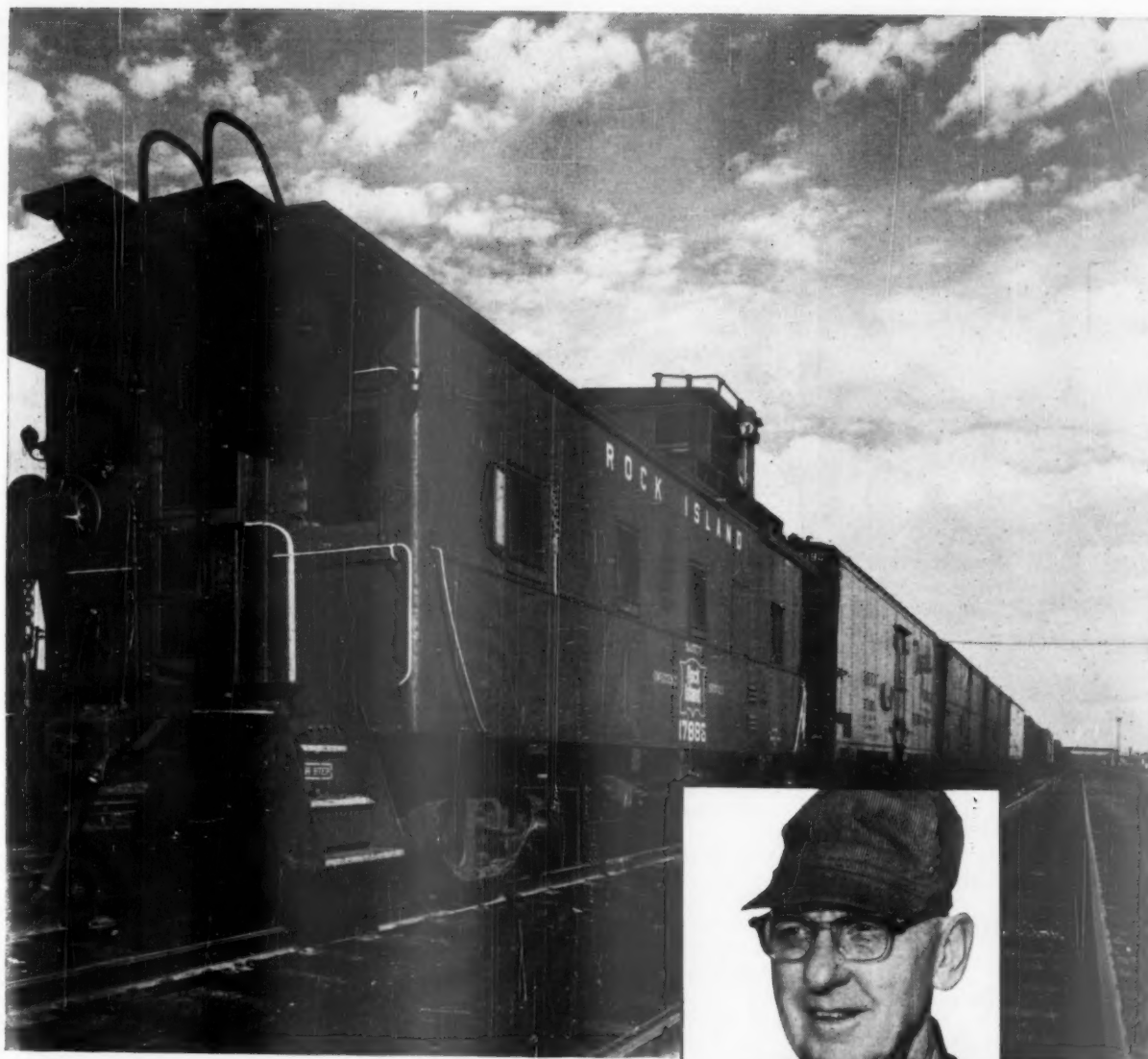
Much of the money will go for new plants. Bulldozers are clearing ground in Providence, R. I., for a \$20-million layout that will be the last word in postal automation (BW—Apr. 11 '59, p. 139). In the next two years, 11 other post offices in major cities will be completely made over at a cost of about \$60-million for construction and \$25-million for equipment. Eight of the 11 will be new from the ground up—the first of these, in Denver, will be ready by November and the second, in Detroit, by October, 1960.

Three more offices—in Boston, Philadelphia, and Cincinnati—will be completely mechanized within the existing structure, with an annex added. In addition, Summerfield's home town of Flint, Mich., will get an entirely mechanized new office.

• **Revamping Jobs**—"Major mechanization"—in most cases meaning installation of a conveyor system for mail sacks and perhaps a parcel post sorter—is in store for seven other post offices. These projects are already under way, at a cost of about \$25-million. Mechanizing an old plant, if it's adaptable, costs less than half as much as building a new one, postal authorities estimate.

### II. Streamlining the Methods

Summerfield's program gives plenty of attention to the new machines needed to keep the harassed mail clerk's head above the growing piles of mail. In the next fiscal year, the department expects to spend \$15-million



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for research and development, mostly for experimental models of machines to separate different kinds of mail, face and cancel letters, and sort them by destination. Another \$50-million will go for procurement of already-developed equipment for the new and refurbished post offices.

Since Post Office has only a small research and development staff of its own, it has farmed almost all the work out to private industry under cost plus fixed fee contracts. It often has three or four companies simultaneously busy on machines for the same purpose. The department coordinates all the activity, and it hopes, of course, that one device or system will prove good enough to be adopted as standard for the nation. If not, however, officials can take the best features from two or three different designs and produce their own combination. The resulting machines are tested in a laboratory recently set up in Washington's main post office. If they work, they go "on the line" experimentally, usually in Washington but sometimes in Baltimore or Detroit.

• **Conveyors and Cullers**—Follow the mail behind the scenes, where customers rarely get a look, and you can see how the new machines work.

As mail sacks enter—or leave—a mechanized post office, they ride on a maze of overhead conveyor belts. Sometimes the sacks hang upside down from the belts, so that they can be automatically dumped. Some \$20-million has already been spent to install conveyor systems—the first basic step in modernization—in post offices around the country. Manufacturers of conveyors include Mechanical Handling Systems, Inc., and Jervis B. Webb Co., both of Detroit; Rapids Standard Co., Inc., of Grand Rapids, Mich., and Butz Corp. of Los Angeles.

From a conveyor, a mail sack is dumped into a culler—a machine that culls letters from small packages, rolled-up newspapers, and flats (large envelopes, containing material such as photographs). Several versions of the culler have a series of belts or vibrating trays, each traveling slightly faster than the one before, to shake the mail out in a thin stream as it moves along. The last tray dumps the stream of mail into a complex arrangement of belts and rollers to segregate all the items that can't be processed with ordinary letters. Another type of culler, farther from final development than these, drops the mail into a turning barrel with different-sized slots for each kind.

Prototype cullers have been developed by Emerson Radio & Phonograph Corp., American Machine & Foundry Co., and Intex Systems, Inc., an International Telephone & Telegraph subsidiary. The department hopes to place

production orders for a culler within the year.

• **Facing and Canceling**—From the cullers, letters and postcards travel to machines that face them, put them with address and stamp in the right position for canceling, and print the cancellation mark.

In a facer devised by Intex, one piece at a time moves first past two electronic heads that identify the picture side of picture postcards, which the machine might otherwise confuse with a stamp. Then the mail passes two electronic scanning heads that respond to differences in light reflections from stamps and envelopes. These spot the position of the stamp on the envelope, or identify a letter without a stamp or with a sticker that might be mistaken for a stamp. Deflectors and belts flip the letter over if necessary; for proper canceling, the stamp must be on the bottom, facing out as the letter rides the conveyor.

Pitney-Bowes' facer (picture, page 167) is similar but somewhat simpler and closer to production. Six of these each handle 30,000 letters an hour in the Washington post office; 25 others have been ordered for Detroit and Philadelphia. AMF and Emerson are testing other types of facers.

• **Sorting Automatically**—The next step after canceling is sorting according to destination. This is the most complicated job anywhere along the line because the address of each item of mail must be read. Officials consider automating this process the real key to speed and cost-cutting.

Most sorting machines put each piece of mail in a carrier tray or other vehicle that will automatically dump it into the proper bin for its destination. With parcel post sorters in use in Washington and Baltimore, for instance, a package is fed by hand on a tray, address side up, to an operator who reads the address. He punches keys that electrically make the tray drop the package into one of 32 bins. With this device, an operator can sort 40 packages a minute—several times the rate with hand sorting. Package sorters have been developed for the department by Jervis Webb, Nelson Greller Associates of Washington, and Aerojet-General.

Letter sorters are more complex because they sort a greater volume of mail—as much as 36,000 pieces an hour for 300 different destinations—and because they are fed automatically. Burroughs Corp. and Pitney-Bowes, Inc., have both come up with letter sorters based on designs by Rabinow Engineering Co., Silver Spring, Md., in which each letter passes in front of an operator in a small hopper. They're similar to the Dutch "Transorma" sorter. Postal officials nickname the system the shish kebab, because each hopper includes



## Rain with a view

One of the more appealing aspects of the progress of plastics is the transparent vinyl raincoat. Rain or shine, you see color and beauty everywhere.

The credit is largely due to a group of phosphorus chemicals called trialkyl phosphites. Use of any one of these compounds in a vinyl stabilizer helps retard haze formation so that the finished vinyl product comes out crystal clear. In addition, these phosphites impart heat and light stability to vinyl.

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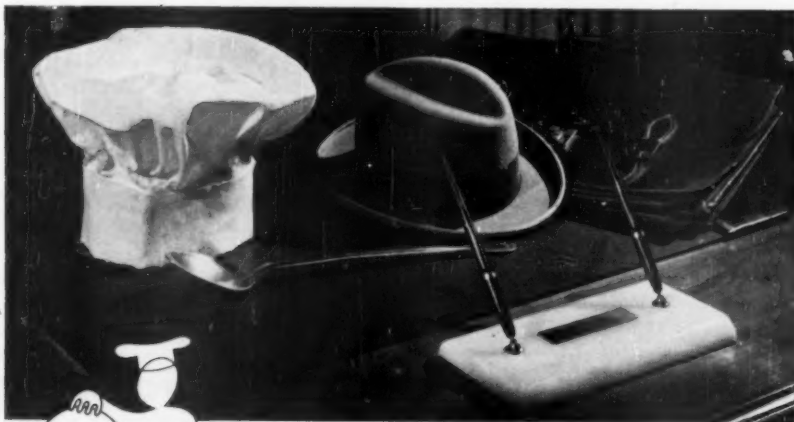
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a shaft with 12 nylon wheels on it, suggestive of the lamb on a skewer in the Near Eastern dish. For each destination, the operator presses a different combination of three keys that sets the nylon wheels in a different position. When the hopper reaches a sorting bin with a matching pattern, its bottom opens, and the letter drops out.

Intelex also has a sorter, now in use in Washington, with the controls mounted in a separate unit from the mechanism that transports the mail.

- **Literate Machines**—Ultimately, the Post Office would like to eliminate the operator from sorting. Intelligent Machines Research Corp., Alexandria, Va., for example, holds a \$185,000 contract to develop an electronic device that can read typewriting automatically by scanning the length and location of strokes in each character.

### III. Streamlined System

The program to build Providence's completely automated post office—known as Project Turnkey—stands a bit apart from other postal modernization. One company—Intelex—is developing the entire system. In most cases, Intelex equipment will be used. However, Jervis Webb will provide the parcel post sorters and conveyor systems, and the plant will serve as a final proving ground for machines from many other sources.

E. M. S. McWhirter, Intelex vice-president in charge of the Providence job, thinks his company qualified for the job in two ways:

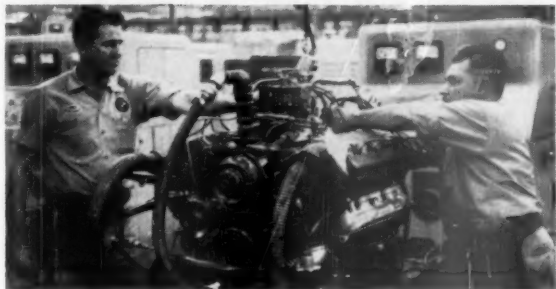
- Its European affiliates had successfully developed postal equipment for foreign countries restoring their war-damaged systems.

- It had experience with the kind of central control system needed for a completely mechanized plant.

Central control is vital for the best use of machines, especially in a post office where daily volume of mail may fluctuate as much as 100% over a year. So the Providence layout will include a control tower 26 ft. above the work floor, where men will be able to see and control all the automatic devices. The only jobs that won't be automatic will be reading the addresses and transferring mail from one machine to another, but both these functions are under study.

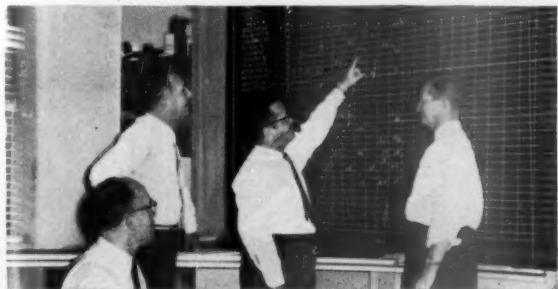
- **Cost Guinea Pig**—All this progress toward automation should mean faster service, but nobody in Summerfield's office is talking about lower mail rates. Despite last year's increases, the postal deficit is still about \$500-million. And no one has yet figured how much an automated plant can save. The first serious cost studies will be made in Providence when Turnkey goes into operation. **END**

# ● WHAT THE NEW EXPANSION PROGRAM OF CHRYSLER M&I ENGINE DIVISION MEANS TO MANUFACTURERS OF SELF-POWERED EQUIPMENT



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## Ready to Go

Gas turbine makers say they have old drawbacks under control, ask Pentagon to let them make defense bids

Makers of gas turbines think their products are just about ready to go to town. You could see that this month when 14 manufacturers held a conference with Pentagon officials and urged that military specifications be relaxed so that the gas turbine makers could bid on heavy duty motorized equipment and power plants for remote outposts. Today's military specs frequently fail to take into account the existence of gas turbines.

The Pentagon talks didn't produce any orders for gas turbines, but Pentagon research and development people were impressed enough to hint that specs will soon be revised to give the gas turbines at least a small foot in the door.

The manufacturers didn't limit themselves to talking about their improved products; they brought along some of the likeliest models to demonstrate the progress they had made in beating the three big drawbacks that have plagued their engines until now: spendthrift consumption of fuel, slow and hesitating acceleration, and high production costs.

The engines on display came as small as Curtiss-Wright's Turbomite, which weighs less than 40 lb. and can power a 2½-kw. generator. But the big interest centered on the 200-300 hp. automotive engines of General Motors, Ford, and Chrysler. Detroit's Big Three had exhibits that vividly outlined the progress made within a few months in exorcising the major bugaboos of the gas turbines.

• **Curbing the Thirst**—The voracious gulping of fuel by the early experimental gas turbines had kept interest to a minimum, even though the engines were not choosy at all about what they consumed. One jocose authority said they could run on any fuel that would run through a pipe—which includes kerosene, diesel oil, or even natural gas.

But now, the gas turbines have learned to run on much less fuel—without upgrading their taste in quality. Thus, the best that GM's Allison Div. could do in the line of fuel rate five years ago was 1.63 lb. per horsepower hour. Today, the new Allison has a rate of .55 lb./hp.hr., which matches today's gasoline engines in quantity, without demanding their quality fuel. And the gas turbines are getting very close to

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One place where Kellogg logistics saves time and money is in the procurement of equipment such as this gas turbine—costing more than three-quarter million dollars, and vital to the plant's operation. Delayed delivery could have resulted in hundreds of wasted manhours on the overall job and many thousands of dollars lost in potential production.

In this case, Kellogg's completion date required the turbine to be ordered almost twelve months ahead of delivery. Another phase of Kellogg logistics was working with the supplier in designing and engineering the unit. Kellogg also had its own inspectors and expeditors at the manufacturer's plant to assure that operating and time requirements were met.

"Planning the New Plant for Profits", describes and documents Kellogg's economic approach to building new processing facilities by controlling costs and integrating engineering, procurement, and construction. Write for your copy.



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# A Seasoned Man for a Tough Job

There will be no break in the continuity of U. S. foreign policy with Christian A. Herter running the State Dept. After two years as second man in the department, Herter is fully conversant with the course that John Foster Dulles set for the U. S. in world affairs. As Secretary, he can be expected to maintain that course without deviation, except perhaps in the manner of his diplomacy.

Herter is fully equipped for his new and taxing assignment. His experience in international affairs goes back to World War I, when he was a member of the Foreign Service. During his 10 years in the House of Representatives, he took an active interest in foreign policy problems and, at the same time, learned the political ropes on Capitol Hill in a way that neither Dulles nor Acheson ever did. Since bipartisanship in foreign policy is especially important today, Herter's political background, which also included two terms as governor of Massachusetts, should be a distinct advantage.

The new Secretary has a resourceful mind and an engaging personality. These qualities will stand him in good stead in his dealings both with the leaders of Congress and with the leaders of allied nations. Whether he is negotiating with our allies or with the Soviets, he will speak, as his predecessor did, with the full weight of the U. S. behind him.

By background, training, and disposition, the new Secretary is well qualified for the awesome task he is assuming. This is fortunate for the country. Except for Pres. Eisenhower, there is no one in the Administration—or in any Western government for that matter—who carries so heavy a responsibility for maintaining peace and freedom in the world as does the U. S. Secretary of State. With Soviet strength constantly growing, he must labor unrelentingly to maintain enough power and unity here at home, and within the Western alliance, to check the advance of Communism around the farflung frontiers of the free world.

Christian Herter comes into office with the good wishes of both Republicans and Democrats in Congress. He deserves it. And he will need not just the good wishes but the continuing support of Congress and his fellow citizens as he grapples with the many problems that face him.

## Unsolved Problem

The news that unemployment has been dropping this spring is good news indeed—even though much of the change has been purely seasonal. It is an indication that the current high level of unemployment—too high for an economy that is well advanced in its recovery from the recession—may dwindle to normal levels by the end of the year.

However, while the problem of unemployment is still with us and the memories of the recession are still fresh in mind, we need to take a hard look at our unemployment insurance program. This program showed signs of cracks and strain in the first real test it has had in the postwar period. It had to be jacked up by emergency federal aid.

Providing an adequate program is not an easy job; and before this can be accomplished, some knotty questions must be answered. One is whether we should overhaul the entire unemployment insurance structure so it can cope with any conceivable emergency or whether such situations should be handled on an emergency basis. Is it more effective to write higher benefit levels and longer payment periods into the law, or does the economy get a bigger hypo through the use of emergency programs like those enacted in 1958 and this year?

Another question to be explored is the impact of unemployment insurance on labor mobility. When you extend jobless payments, does this inhibit the unemployed from seeking work elsewhere? There is also the question of just what can be done to help the unemployed in the chronically depressed areas. Are job location and retraining programs really workable answers?

We don't know what the answers are, but clearly now is the time for someone to find out. Primarily this is a job for such government agencies as the Labor and Commerce Depts. However, it might be a good idea for their studies to be supplemented by one of the non-government organizations, such as the CED and the Ford Foundation, whose work in the past has borne such good results.

## Santa Claus Story

A BUSINESS WEEK reporter visiting in Illinois recently stopped to talk with a farmer beside the road. And that's how it happened that the reporter returned East with a much better understanding of why the Eisenhower farm program, still largely inherited from Truman, isn't working out. The conversation went something like this:

How long have you been here?

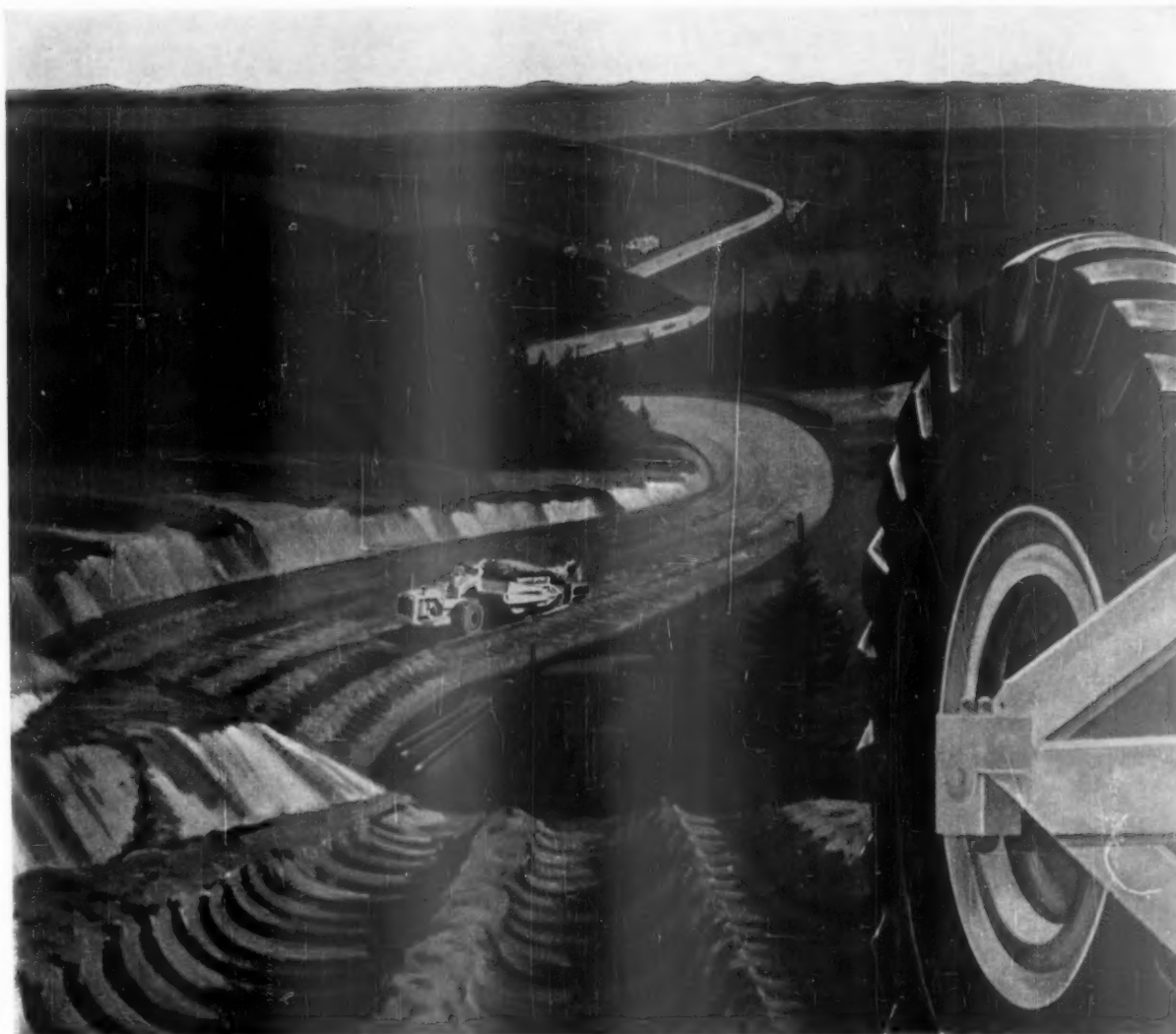
About eight years.

How much land do you have?

Just over 300 acres. Good land, too. It paid for itself with the first six crops.

Where do you market your crops—your wheat and corn? Where do you sell them?

I don't sell them. You see those storage bins over there on the other road? I deliver everything I produce right there, and the government takes over. Fact is, I haven't sold a bushel of anything since I bought the place.



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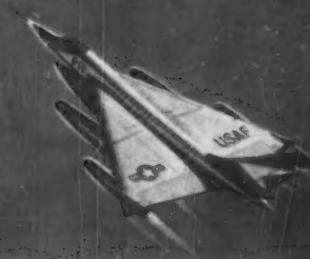
*Convair  
and the ages  
we live in*

**JET AGE • MISSILE AGE  
SPACE AGE • ATOMIC AGE**

In this era that probes beyond all scientific horizons, the Convair division of General Dynamics Corporation has attained famous firsts in all four areas. **JET AGE:** B-58, first supersonic bomber. **MISSILE AGE:**

Atlas, our first Intercontinental Ballistic Missile. **SPACE AGE:** The world's first ICBM to be placed in orbit. **ATOMIC AGE:** Convair was first to make tests on a nuclear reactor carried in flight.

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